



ROSNEFT



**SUSTAINABILITY
REPORT
2017**

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MESSAGE FROM THE CHAIRMAN OF ROSNEFT'S BOARD OF DIRECTORS



Gerhard Schroeder
Chairman of the Board
of Directors

As the Chairman of the Board of Directors I place a great emphasis on the Company's strategic priorities and their achievement. In 2017 we adopted Rosneft-2022, one of the most ambitious strategies in the industry and one that fully meets the challenges now facing oil and gas corporations. This is a thoroughly elaborated plan that serves as a strong platform to support the Company's leap-forward development and takes into account the operating potential of all its business segments. It envisages the organic growth in liquid hydrocarbon production to 250 mmtoc and the rise of gas production to 100 bcm per year. Among other strategy goals are increasing the share of products with high added value, and

joining the cohort of technology leaders as the Company makes a major technological breakthrough. In pursuance of its strategy, Rosneft is set to make investments in oil refining, petrochemicals production, energy efficiency, emissions reductions and other areas in order to achieve improved margins on refining and sales of its own products.

As Germany's former Chancellor I am very keen on promoting cooperation between Rosneft and European businesses. I believe that over recent years the Company has made remarkable headway towards building productive and effective business relations with its European partners. The integrated approach taken by

the Company is an important efficiency driver, as it helps to attract importing countries interested in guaranteed feedstock supplies, and in their production, transportation, and delivery to end consumers. Rosneft continued on the path towards diversifying supplies between eastern and western routes, with eastbound supplies in 2017 rising to 47.7 mmt, up 10.7% year on year. Sales through the high-margin retail channel soared by 7% in 2017.

In 2017 the Company found over 80 mmt of oil reserves in the Laptev Sea after spudding its first exploration well, and brought on stream a unique startup complex to support production from the Erginsky cluster holding total reserves of 256 mmt.

its refining, petrochemicals and retail businesses, and establishing itself as an experienced player on the global commodity trading market.

People in Germany, Russia and other countries often ask me why I decided to take on this senior role in the Company. In my opinion, Rosneft strives to make the best use of global industry resources and to expand its geographic and technological footprint by building mutually beneficial relations with foreign partners. It has dozens of joint ventures across Europe and Asia and spends billions of dollars to support their business, while over 40% of shares in the Company are held by international investors.



ROSNEFT STRIVES TO MAKE THE BEST USE OF GLOBAL INDUSTRY RESOURCES AND TO EXPAND ITS GEOGRAPHIC AND TECHNOLOGICAL FOOTPRINT BY BUILDING MUTUALLY BENEFICIAL RELATIONS WITH FOREIGN PARTNERS

I think very highly of the Rosneft management team whose work I oversee as Chairman of the Board of Directors. 2017 was marked by a number of strategic deals to acquire promising assets that have now started to appreciate in value as oil prices embark on a journey to recovery. The expansion of the international refining business by exchanging holdings in German refineries and acquiring an interest in the India-based Vadinar refinery already provides substantial synergies. Rosneft is the world's largest public oil and gas company both in terms of liquid hydrocarbon production and reserves. It continues on the set course by increasing production from 4 mmtoe 18 years ago to 281.7 mmtoe in 2017, growing

Another important topic on our agenda is energy security. To address these challenges, we need to team up with other players, acting openly and observing common interests. We can overcome the lack of trust by working more closely with our partners. We must move in this direction — starting today.

MESSAGE FROM ROSNEFT'S CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE MANAGEMENT BOARD



Igor Sechin
Chairman of the
Management Board,
Chief Executive Officer

2017 was a landmark year for Rosneft. We completed a number of strategic acquisitions and approved a new growth strategy which is focused on gaining technology leadership, optimizing the corporate structure and forms of management, and achieving increased margins along the entire value chain.

Rosneft exhibited a strong operating performance in 2017: its hydrocarbon production reached a new high of 281.7 mmtoe, up 6.2% from a year earlier. With 68.4 bcm of gas produced in 2017, the Company also confirmed its status as Russia's largest independent producer of natural gas. Exploration activities in 2017 resulted in the discovery of 162 new deposits and 31 new fields

with total reserves of 233 mmtoe. Domestic refining improved in terms of both quantity (100.6 mmt, up 15% year on year) and quality.

Rosneft has tapped into new strategic markets in India and Egypt. It completed a deal to acquire a 49.13% interest in Essar Oil Limited, a high-performing asset that will become a valuable link in the Company's integrated oil supply chain and provide substantial additional synergies. We have also joined our long-standing partners Eni and BP in a project to develop the Zohr field, one of the world's largest natural gas fields located off the coast of Egypt.

Rosneft continues its strategy aimed at maximizing the efficient recovery of resources

and boosting production. In 2017 we started production at the Yurubcheno-Tokhoms koye field and brought on stream three fields that form part of the Uvatsky project. A startup complex to support production from the Erginsky oil cluster was commissioned in November. The cluster holds a total of 256 mmt of reserves and is expected to yield plateau production in excess of 8 mmt.

The Zvezda shipyard in the Far East remains a priority for Rosneft and we have taken steps to arrange an anchor order to support its future business. This project is set to give a boost to related industries, including those driving innovations, and to contribute to establishing strong infrastructure in the region.

Building a business that meets the highest HSE standards is an essential element of Rosneft's strategy. We are determined to make it into the upper quartile of global oil and gas companies in terms of HSE performance by 2022.

As a member of the UN Global Compact, Rosneft promotes the sustainability agenda by focusing closely on innovations and initiatives to tackle climate change. The Company is successfully implementing its Investment Gas Program and Energy Efficiency Program to reduce greenhouse gas emissions. Investments in APG utilization programs, natural gas processing and efforts to end gas flaring have reached around USD 2 billion in the last five years. Innovation growth, biodiversity conservation, and the sustainable use of water are also high on the priority list.

Rosneft spent over RUB 150 billion on HSE initiatives in 2017, which was declared the Year of Ecology in Russia. Among these is the upgrading

of Bashneft-Ufaneftekhim, a biological treatment complex in Bashkortostan worth over RUB 11 billion — the biggest of its kind in Eurasia.

Rosneft is Russia's largest taxpayer and undertakes major social projects, many of which have completely changed the social landscape in both large cities and smaller communities by facilitating public access to modern medical, education, sports, recreation, and utility services. Examples of these projects include premises renovation and equipment purchases for the regional clinical hospital in Orenburg, and

The average monthly salary in most Group subsidiaries has traditionally been above the average for their regions.

Rosneft has remained focused on enhancing the effectiveness of measures designed to counter corruption and ensure that both top management and other staff comply with international and Russian anti-corruption laws, as well as with its internal regulations in this area.

We are now moving into a new phase. The Rosneft-2022 strategy, approved by the Board of Directors, sets key targets



BUILDING A BUSINESS THAT MEETS THE HIGHEST HSE STANDARDS IS AN ESSENTIAL ELEMENT OF ROSNEFT'S STRATEGY

the upgrading of Ingushetia's water supply network. In 2017 the Company opened many social facilities that it had sponsored: modern hospitals, sports centers, ice rinks, schools, and kindergartens.

The Company is a key contributor to science and education. Rosneft's R&D center comprises 27 research institutes and brings together 12,000 seasoned professionals with vast experience in implementing cutting-edge technologies and innovations. Rosneft runs School-University-Company, a program that has proved to yield tangible results; 111 Rosneft Classes were organized in 25 Russian regions in 2017. The Company has strategic partnership agreements with 58 leading universities.

In 2017 Rosneft confirmed its status as one of Russia's largest employers. At year end, the Company's workforce numbered 318,000 people.

for the next five years. The strategy's main focus is on increasing business profitability and returns on existing assets, delivering key projects on time and within budget, becoming a technology leader, and revisiting the current management model to raise the Company to a whole new level in the face of the challenges of the digital era. Achieving the targets set in the new strategy will certainly require major change. In doing its business, Rosneft remains committed to the UN Global Compact and its core principles, and is fully aware of the role it plays in advancing the sustainability agenda.

KEY SUSTAINABILITY PERFORMANCE INDICATORS

Period	2015	2016	2017
KEY SUSTAINABILITY PERFORMANCE INDICATORS¹			
SEC proven reserves of oil, condensate and liquefied petroleum gas, mmt	3,330.8	3,701.4	3,791.9
SEC proven marketable gas reserves, bcm	1,608.5	1,713.7	1,949.5
Hydrocarbon liquids production, mmt	202.8	210.0	225.5
Gas production, bcm	62.5	67.1	68.4
Hydrocarbon production, mboe	1,883	1,965	2,087
Oil refining, mmt	96.9	100.3	112.8
Output of petroleum products and petrochemicals, mmt	95.4	98.2	109.1
Assets at the end of the year, RUB billion	9,642	11,117 ²	12,227
Total revenues and equity share in profits of joint ventures and associates, RUB billion	5,150	4,988	6,014
Total equity, RUB billion	2,929	3,782 ³	4,183
Current and non-current liabilities, RUB billion	6,650 ^{2, 3}	7,335 ³	8,044
Dividends, RUB billion	87	125	104 ⁴
DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, RUB BILLION			
GENERATED DIRECT ECONOMIC VALUE			
Revenues	5,445	5,134	6,094
ECONOMIC VALUE DISTRIBUTED			
Operating costs	1,590	1,743	1,967
Payments to providers of capital	152	177	199
Employee wages and benefits	211	228	269
Insurance contributions	46	49	61
Taxes and duties payable	2,259	2,021 ⁵	2,614
Community investments	9	11	19
Economic value retained	1,178	905 ⁵	965

¹ According to IFRS, unless stated otherwise.

² Data has been adjusted after the purchase price of Bashneft, Targin JSC, and interests in German refineries, acquired under the Ruhr Del GmbH reorganization deal, was allocated to the fair value of the acquired assets and liabilities.

³ Excluding liabilities relating to assets held for sale.

⁴ Including RUB 41 billion paid as dividends for the first six months of 2017.

⁵ Data on income tax payable has been adjusted after the purchase price of Bashneft and WestInvest was allocated to the fair value of the acquired assets and liabilities.

Period	2015	2016	2017
HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE INDICATORS⁵			
Incidence rate of non-fatal injuries among Company employees, per million hours worked	0.33	0.21	0.36 ⁷
Incidence rate of fatal injuries among Company employees, per 100 hours worked	4.76	2.28	1.87
Gross emissions of pollutants, thousand tonnes	1,788 ⁸	1,709 ⁸	1,929 ⁹
Air pollutant emissions from extraction activities per thousand tce, tonnes ^{10, 11}	4.21 ⁸	4.07 ⁸	4.16
Air pollutant emissions from refining and petrochemical activities per thousand tce, tonnes	1.24	1.46	1.90 ¹²
Associated petroleum gas utilization rate, % ¹³	87.9	90.0	89.2 ¹⁴
Gross wastewater discharges to surface waters, million cubic meters	110.7	112.6	105.2
Wastewater discharges from extraction activities per thousand tce, cubic meters	0.0005	0.0004	0.0006
Wastewater discharges from refining and petrochemical activities per thousand tce, cubic meters	0.98	0.97	0.87
Polluted wastewater discharges from extraction activities per thousand tce, cubic meters	0.0001	0.0002	0.0003
Polluted wastewater discharges from refining and petrochemical activities per thousand tce, cubic meters	0.67	0.60	0.49
Total pipeline failures (in-field oil pipelines, gas pipelines, and water pipelines)	8,841	7,827	8,428 ¹⁵
Total crude oil and petroleum product spills, tonnes	4 581	774	758
HSE training, thousand man-courses	255.7	306.1	413.0
Expenditures on personal and process safety, including fire safety and blowout prevention, RUB million	42,949	44,257	56,208
Environmental capital expenditures, RUB million	44,646	47,137	69,184
Operating environmental expenditures, RUB million	27,000	26,578	32,547
Environmental fines payable, RUB million	201	260	259
Payments to budgets at all levels associated with environmental protection and sustainable use of natural resources, RUB million	5,153	4,512	4,256
EMERGENCY PREVENTION AND RESPONSE PERFORMANCE INDICATORS			
Emergency prevention and response expenditures, RUB million ¹⁶	2,952	2,960	3,139

⁵ Based on data compiled in accordance with the Company's Regulation on Preparing and Submitting Periodic Reports on HSE Performance, and the Company's Regulation on Monitoring and Measuring HSE Performance.

⁷ The increase was due to new assets added to the Company's portfolio in 2017 (e.g., Bashneft). The injury rate was also driven by the Company's effort to enhance the transparency of incident reporting.

⁸ Data for 2015-16 has been adjusted for emissions generated by gas-lift wells.

⁹ The year-on-year increase in gross emissions of pollutants in 2017 was due to new assets added to the Company's portfolio (e.g., Bashneft) and new fields being brought on stream. Gross emissions for 2016 include Bashneft's emissions for the fourth quarter only, while the gross figure for 2017 is shown inclusive of Bashneft's relevant data for the entire year.

¹⁰ Air pollutant emissions (incl. by category) and wastewater discharges to surface waters are calculated within the scope of consolidated environmental data.

¹¹ Environmental performance indicators relating to oil and gas production activities hereinafter include the Group's oilfield services companies engaged in these activities.

¹² The increase in 2017 was due to new assets added to the Company's portfolio (e.g., Bashneft).

¹³ The data on the sustainable use of associated petroleum gas, both current and future, is hereinafter provided for Russian assets only.

¹⁴ While the total APG utilization level increased in 2017, the Company recorded a minor year-on-year reduction in the APG utilization rate, from 90.0% to 89.2%, brought down by the production of oil and APG at new fields. A number of operating factors drove APG utilization in 2017. For details, see the APG utilization section.

¹⁵ The year-on-year increase in the number of total pipeline failures in 2017 was due to new assets added to the Company's portfolio (e.g., Bashneft). At the same time, ratios of pipeline failures to other indicators, including their impact, decreased. Total pipeline failures for 2016 did not include Bashneft's failures, while the gross figure for 2017 is shown inclusive of Bashneft's relevant data for the entire year.

¹⁶ Emergency management expenditures were zero in 2015 and 2017, and RUB 1.3 million in 2016.

Period	2015	2016	2017
INNOVATION PERFORMANCE INDICATORS			
R&D expenditures, RUB billion	36.0	20.2	29.9
HR PERFORMANCE INDICATORS¹⁷			
Headcount at the year end, thousand	258.8	287.7	318.0
Average headcount, thousand	247.5	253.2	302.1
Workforce by category at the year end, %			
■ Workers	55.8	57.7	57.8
■ White-collar employees	31.6	29.8	30.0
■ Managers	12.6	12.5	12.2
Workforce by gender at the year end, %			
■ Women	34.0	33.5	32.2
■ Men	66.0	66.5	67.8
Employee turnover, %	12.0	10.9	10.3
Company average monthly salary per person, RUB	69,847	75,467	79,221
Gross payroll (incl. benefits, one-time bonuses, and annual compensation), RUB million	207,408	229,318	287,159
Social payments to employees, RUB million	5,898	6,524	7,735
KEY SOCIAL PERFORMANCE INDICATORS			
Tax payments and customs duties, RUB million	2,271 568	1,953 666	2,574 559
■ Incl. tax payments to the federal budget and customs duties	2,007 752	1,615 429	2,179 751
■ Incl. tax payments to regional budgets	212,897	281,793	325,205
■ Incl. payments to extra-budgetary funds	50,919	56,444	69,603
Expenditures on social programs, social investments and charity in the regions, RUB million ¹⁸	35,653	28,961	37,435
■ Incl. optimizing working conditions, RUB million	12,526	8,197	8,510
■ Incl. social investments under cooperation agreements with regional authorities, RUB million	4,069	2,403	6,668
■ Incl. support for educational institutions in line with the government's policy in the area of education and science, and other charity initiatives	2,283	1,879 ¹⁹	2,671 ¹⁹
■ Incl. other social expenditures	16,775	16,482	19,586

¹⁷ Hereinafter, quantitative HR performance indicators are presented within the scope of the Company's centralized business planning, unless stated otherwise.

¹⁸ According to management accounts (within the scope of centralized business planning).

¹⁹ Expenses on certain charity projects, disclosed in the Annual Reports for 2016 and 2017, do not include charity support for universities, pre-university education and the Veterans Council.



Production drilling at the Yurubcheno–Tokhomskoye field, Evenk Autonomous District, Krasnoyarsk Territory



ABOUT THE REPORT

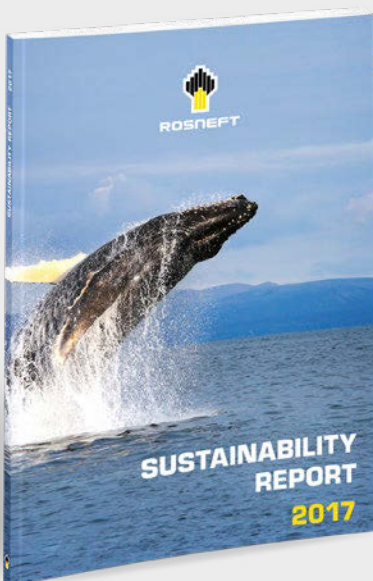
This 2017 Rosneft Sustainability Report (the “Report”) is the twelfth in a series of non-financial corporate reports that are published annually by the Company. All reports are available on the Company’s website at www.rosneft.ru

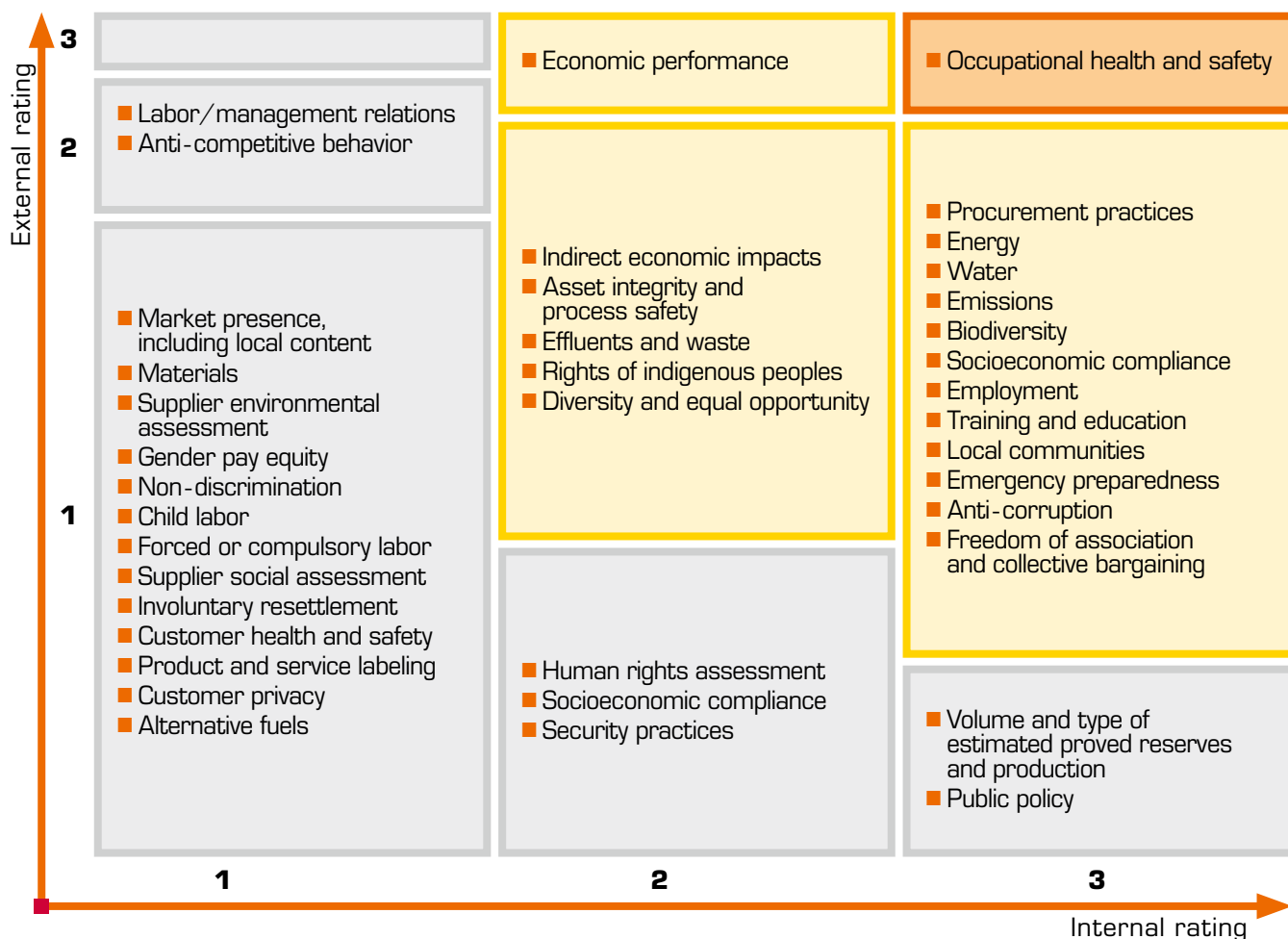
Non-financial reports have been traditionally targeted at a wide range of stakeholders, including Company employees, shareholders, investors, local communities, public organizations, clients, and partners.

The Company uses various channels to collect feedback on its sustainability performance. Comments and suggestions are accepted by telephone or email, with relevant details provided in the Contacts section of each publication. All comments are carefully analyzed and incorporated in the next Report.

This Report is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards), including where relevant the oil and gas sector disclosures. In reporting its financial and operating performance, the Company is guided by International Financial Reporting Standards (IFRS).

To ensure the relevance of disclosures made in the Report, the Company performed a materiality assessment across individual sustainability performance indicators and topics provided in the GRI Standards, drawing on the analysis of its internal and external environments that was conducted with the involvement of stakeholders. The findings of the materiality assessments performed in 2014-16 were also taken into account. To identify material topics, the Company performed





a benchmarking analysis on non-financial reports by leading industry players, both within and outside Russia, followed by the analysis of industry events and trends, which are significant for sustainability reporting purposes. Consideration was also given to topics raised at stakeholder meetings, sustainability inputs received during 2017, and feedback on the previous year's Sustainability Report.

Based on the findings from the analysis and taking into account GRI's principles for defining sustainability context, materiality, completeness, stakeholder inclusiveness and significance of economic, environmental and social impacts, the Company compiled a list of material topics that are subject to mandatory disclosure.

This Report provides detailed disclosures of certain matters

pertaining to the priorities of the Company's 2017 sustainability agenda, including OHS management by contractors, greenhouse gas emissions, asset integrity and process safety, employee training and education, and maintaining a favorable working environment. There have been no major changes to the list of material topics and topic boundaries from previous reporting periods.

The Report is structured to provide insight into the Company's performance in corporate governance, sustainability management, risk management and internal controls, stakeholder engagement, innovations and technology advancements, occupational health and safety, emergency preparedness and response, environmental protection, talent management, and local community engagement.



The Vankor field

REPORTING PRINCIPLES

The Company applies the reporting principles outlined in the GRI Guidelines.

This Report provides disclosures for all topics and indicators described in the GRI Standards, including oil and gas sector disclosures that were identified as material.

This Report reflects the Company's progress toward implementing the principles of the UN Global Compact, and includes information on basic performance indicators for non-financial reporting developed by the Russian Union of Industrialists and Entrepreneurs (RUIE). The Company subscribes to and applies the principles of the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API (2010).

The 2017 Sustainability Report has been externally assured by EY and has been prepared in accordance with the Core option of the GRI Standards. The external assurance statement is provided on pages 128 – 129 of this Report.

REPORTING BOUNDARIES

Rosneft prepares sustainability reports on the consolidated corporate level, covering all Group entities that are significant to its sustainability performance. The Group's key sustainability performance indicators for 2015–17 are provided on pages 7 – 9 of this Report.

Operating and financial performance disclosures in the Report are made in compliance with IFRS. Health, safety and environment (HSE) performance indicators, HR performance indicators and

social performance indicators cover the Group entities that are under the effective control of Rosneft.



United Nations Global Compact

UN GLOBAL COMPACT PRINCIPLES

Rosneft is a party to the United Nations Global Compact, a UN initiative aimed at encouraging businesses to voluntarily adopt a number of principles derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration of the Fundamental Principles and Rights at Work, and the Declaration on Environment and Development.

HUMAN RIGHTS



Principle 1:

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



Principle 2:

Businesses should make sure that they are not complicit in human rights abuses.

LABOR STANDARDS



Principle 3:

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



Principle 4:

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



Principle 5:

Businesses should uphold the effective abolition of child labor.



Principle 6:

Businesses should uphold the elimination of discrimination in employment and occupation.

ENVIRONMENT



Principle 7:

Businesses should support a precautionary approach to environmental challenges.



Principle 8:

Businesses should undertake initiatives to promote environmental responsibility.



Principle 9:

Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION



Principle 10:

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



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SOCIETY



THE COMPANY IN 2017: GENERAL INFORMATION



New drilling technologies at the Yurubcheno-Tokhomskoye field

Rosneft achieved a new production high of 281.7 mmtoe in 2017 and confirmed its status as the world's leading producer of hydrocarbons, including liquid hydrocarbons, among public oil and gas companies.

As in previous years, Rosneft tops the list of the world's public companies in terms of proven (1P) SEC reserves, with 39,907 mboe²⁰ of hydrocarbon reserves at the end of 2017 and the reserves-to-production ratio of roughly 20 years.

Rosneft is a global energy company with a diversified portfolio comprised of Russia-based core assets, and other assets and greenfield projects in frontier regions across the globe such as Venezuela, Cuba, Canada, the US, Brazil, Norway, Germany, Italy, Egypt, Mongolia,

China, India, Iraq (including Kurdistan), Vietnam, Indonesia, Myanmar, Armenia, Georgia, Kazakhstan, Turkmenistan, Kyrgyzstan, and Belarus.

Rosneft's core businesses include hydrocarbon prospecting and exploration, oil, gas and condensate production and refining, petrochemicals production, and the marketing of oil, gas and refined products within and outside Russia. The Company actively develops its OFS business, striving to take the top place among other industry players in terms of economic performance and technology enablement.

Rosneftgaz, a wholly-owned state company, remains Rosneft's largest shareholder, with a 50.00000001% interest held at the end of 2017.

BP RIL and QHG Oil Ventures Pte. Ltd. hold 19.75% and 19.5%, respectively and one share is held by the state, as represented by the Federal Agency for State Property Management. The remaining shares are free floating.

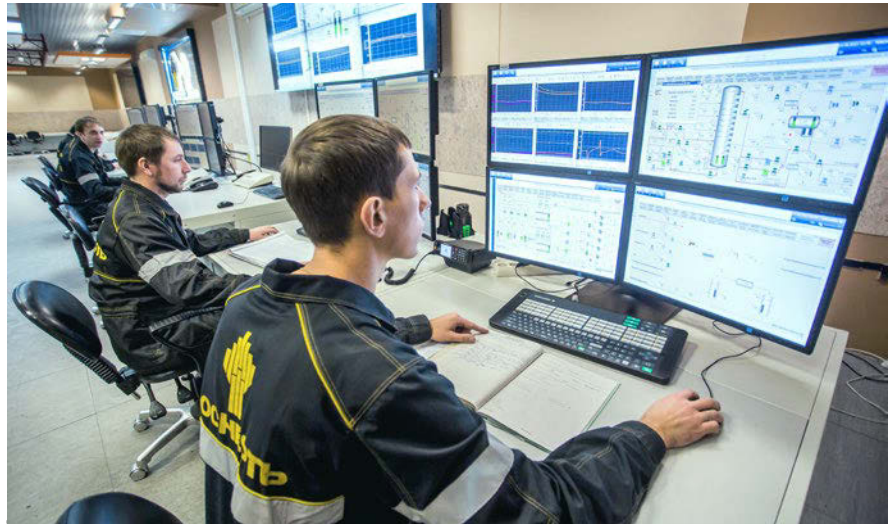
²⁰ According to the results of the audit performed by DeGolyer & MacNaughton under the SEC (United States Securities and Exchange Commission) life-of-field classification, Rosneft proven hydrocarbon reserves as of 31 December 2017 stood at 39,907 mboe (5,395 mmtoe).

KEY ACHIEVEMENTS IN 2017

In 2017 the Board of Directors approved Rosneft-2022, a new strategy focused on quality changes to the Company's business, which are expected to be achieved through the adoption of innovative management approaches and technologies, as well as the improved performance of existing assets. The strategy is aimed at increasing profitability and returns on core assets as a result of their intensified development, implementing key projects and changing the management model that would allow the Company to rapidly roll out new technologies and raise it to a whole new level in the face of the challenges of the digital era.

The Company strengthened its positions on both domestic and international markets in 2017 owing to a number of acquisition deals and new discoveries.

In April 2017 Rosneft closed a deal to acquire a 100% stake in the Kondaneft project involving the development of license areas in Khanty-Mansi Autonomous District. Three months later, in July 2017, the Company won the auction to acquire mineral rights for the Erginsky license area holding 103 mmt of oil reserves (C1+C2). This resulted in the emergence of a new — Erginsky — cluster comprising a section of the Priobskoye field (located within the boundaries of the Erginsky license area) as well as the West Erginskoye, Kondinskoye, Chaprovskoye and Novoyendyrskoye fields with aggregate reserves totaling 256 mmt (AB1C1 + B2C2). These fields contain light and sweet crude oil, with properties similar to those of the Siberian Light export mixture. The Erginsky cluster benefits from the combined infrastructure of the like-named license area and the Kondinskaya group of fields.



THE ROSNEFT-2022 STRATEGY IS FOCUSED ON QUALITY CHANGES TO THE COMPANY'S BUSINESS, WHICH ARE EXPECTED TO BE ACHIEVED THROUGH THE ADOPTION OF INNOVATIVE MANAGEMENT APPROACHES AND TECHNOLOGIES, AS WELL AS THE IMPROVED PERFORMANCE OF EXISTING ASSETS.

The project's signature feature is a new extraction model, which relies heavily on cutting-edge technologies to extract «hard-to-recover» reserves.

In October 2017 Rosneft and the Government of the Kurdish Autonomous Region of Iraq signed the documents required for the entry into force of production sharing agreements (PSA) relating to five production blocks in the Kurdish Autonomous Region. Group entities will hold a 80% stake in each of these agreements, while their key terms and basic principles of production sharing will mirror those of a standard PSA.

In 2017 Rosneft obtained approval from the State Commission for Mineral Reserves to register a new field, Tsentralno-Olginskoye, which was discovered during the drilling of the northernmost well in the Khatanga Bay of the Laptev Sea in the eastern Arctic (Tsentralno-Olginskaya-1). The field's recoverable reserves are estimated at over 80 mmt (C1+C2).



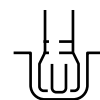
OVER 80 MMT

of recoverable oil reserves discovered during the drilling of the northernmost well at Tsentralno-Olginskaya-1 in the eastern Arctic

281.7

MMTOE

of hydrocarbons produced in 2017, a new high



**YEAR-ON-YEAR INCREASE
IN PRODUCTION DRILLING**

BY 29.5%

cycle for multistage fractured horizontal wells was shortened by over a half. Growing daily outputs were also observed at a number of other mature upstream assets, such as RN-Naryanftegaz (+1.6%), Varyeganneftegaz (+0.7%) and Samaraneftegaz (+1.4%). The growth was driven largely by tax reliefs offered to companies producing hydrocarbons from low permeability reservoirs.

The Company started the commercial development of three fields forming part of the Uvatsky project: North Tyamkhinskoye, North Tamarginskoye and Kosukhinskoye. The fields' recoverable reserves at 1 January 2018 are estimated at around 54 mmt (AB1C1+B2C2).

Major projects, such as Suzun and Messoyakhaneftegaz, are progressing as planned, with the Company's share of production exceeding 5.7 mmt in 2017. Concurrently with an ongoing drilling program, the Company is completing the second-phase of an oil treatment plant at the Suzun field and expanding the treatment facilities of the central gathering station at the East Messoyakhskoye field.

In 2017 the Company brought on stream a number of new large fields: a startup complex to support production from the Erginsky oil cluster in Western Siberia was commissioned in

Hydrocarbon production

The Company's average daily production of hydrocarbons soared to 5.72 mboe in 2017, up 6.5% year on year. The production of liquid hydrocarbons amounted to 225.5 mmt (4.58 mbpd), with the average daily output rising by 7.6%. In the wake of production cuts by OPEC and non-OPEC oil producers (Opec Plus), the Company's average daily output of liquid hydrocarbons in 2017 rose by 0.04%, compared with the 2016 figure (on a pro forma basis, including Bashneft as of 1 January 2016), or by 7.6% (including production figures of newly acquired assets as of the acquisition date). Rosneft outperformed most major public oil and gas companies in 2017 in terms of this metric, and reported the highest 10-year average production growth among peers.

Production drilling in 2017 increased by 29.5% year on year, hitting a record high of 12 million meters, while the number of newly commissioned wells rose to 3,400, up 28% from a year earlier.

Among key achievements in 2017 was the rapid growth of oil production at RN-Yuganskneftegaz, which boosted its annual output by 4.5% to over 66.5 mmt in 2017, with daily production in the last quarter topping 190,000 tonnes, or 69 mmt in annualized terms. This impressive performance was driven by innovative drilling technologies, including real-time drilling and completion, as well as enhanced recovery techniques supported by optimized hydraulic fracture stimulation treatments, including multi-stage hydraulic fracturing. After the completion of pilot testing programs at the Prirazlomnoye and Priobskoye fields, the drilling

November, with first commercial flows fed to the Transneft pipeline system. As part of a comprehensive testing program, Rosneft commissioned an oil treatment plant at the Yurubcheno-Tokhomskoye field in Eastern Siberia. The Company is now finalizing construction and installation work on phase-one facilities and continues to expand production facilities and supporting infrastructure, while proceeding with its drilling plans. The projects yielded a total of around 1 mmt in 2017, with the daily output at year end exceeding 50,000 barrels.



155

EXPLORATION WELLS

were tested in 2017, almost twice as many as a year earlier

Offshore exploration

Rosneft continued offshore prospecting and exploration for oil and gas in the Russian Arctic, Far East and southern seas in line with the license terms. The Company completed 2D and 3D seismic programs

in the Arctic and the Far East ahead of schedule.

In April 2017 Rosneft spudded the Tsentralno-Olginskaya-1 well in the Khatanga Bay of the Laptev Sea, the first exploration well drilled on the Russian shelf in the eastern Arctic. Six months later, in October 2017, Rosneft obtained approval from the State Commission for Mineral Reserves to register a new field, Tsentralno-Olginskoye, discovered in the Khatanga license area in the Laptev Sea. The field's recoverable reserves are estimated at over 80 mmt (C1+C2).

Onshore exploration

Rosneft is committed to developing mineral resources in a sustainable and rational manner, operating in strict compliance with environmental safety requirements and relying widely on innovative technologies.

The Company conducted exploration activities across all mature provinces within Russia, including the Far East, Eastern and Western Siberia, Timan-Pechora, central and southern Russia. In 2017 Rosneft completed the testing of 155 exploration wells, almost twice as many as a year earlier. For the first time ever, the exploration success rate reached 86%. The Company also acquired 7,000 km of 2D seismic (up 150% year on year) and around 10,000 sq. km of 3D seismic (up 30% year on year).

Exploration activities in 2017 resulted in the discovery of 30 fields and 162 new deposits with total reserves of 148 mmtoe. For details on exploration activities, see the 2017 Annual Report.

Rosneft is expanding its footprint in frontier basins across the world. The Company acts



The Company acquired 2D seismic and 3D seismic in the Arctic and the Far East

WITH OVER RUB

36 BILLION

invested in 2017,
the Company continues
to develop its
OFS business



as operator at Block 12 in Iraq and Block EP-4 in Myanmar. The first exploration well, Salaman-1, spudded at Block 12 in Iraq, delivered promising results which may be a good predictor of the basin's high potential. A seismic survey was conducted in Myanmar.

As an operator of a hydro-carbon exploration project in the Solimoes basin in Brazil, the Company drilled two exploration wells.

Oilfield services

Building a strong oilfield services business is one of the Company's priorities. Over the past few years, the share of in-house services in total drilling footage has been around 60%. Rosneft maintains the lowest level of lifting costs in the industry owing to the steady growth of orders completed by in-house drilling crews.

With over RUB 36 billion invested in 2017, the Company continues to develop its OFS business, thus driving the improved performance of the segment in a challenging macroeconomic environment. Rosneft boasts the most modern drilling capabilities in Russia, with around 60% of its drilling fleet being less than 10 years old. The Company's in-house oilfield services provide an effective platform for testing and adopting innovative technologies and best practices.

Natural gas production

Rosneft remains the largest independent domestic producer of natural gas in terms of daily output. The Company produced a total of 68.41 bcm in 2017, both within and outside Russia.

Domestic production growth over the previous year was mainly driven by the following factors:

- Increased output of associated and natural gas, with new wells brought on stream at Varyeganneftegaz and more gas supplied via the Tyumen compressor station after renovation
- Acquisition of Bashneft assets in the fourth quarter of 2016
- Increased output of natural gas owing to optimized flow rates at Sibneftegaz, coupled with the launch of new wells.

Going forward, this trend will be largely supported by growing production from Rospan (a project comprising the Novo-Urengoy and Vostochno-Urengoy license areas), the Kharampurskoye field, the Beregovoye field, and the Kynsko-Chaselsky group of fields.

In 2017 the Company continued to develop gas production clusters on the basis of its upstream assets in Eastern Siberia and Yakutia by teaming up with strategic partners. Under this strategy, it

closed a deal with Beijing Enterprises Group Company Limited to sell a 20% stake in Verskhnechonskneftegaz. The parties agreed to set up a vertically integrated cooperation framework. Beijing Enterprises Group Company Limited acquired a stake in one of Eastern Siberia's largest producing fields with established infrastructure, access to the ESPO pipeline and attractive growth opportunities driven by a major gas project. Rosneft will benefit from the partnership with China's major gas supplier, as it will help the Company to effectively monetize its natural gas reserves in frontier areas in eastern Russia.

As part of an international consortium, Rosneft started production at the Zohr gas field. The project is implemented on concession terms in collaboration with Eni S.p.A (Italy, 60%) and BP (UK, 10%). Zohr is a major gas deposit in the Mediterranean Sea, with in-place reserves estimated at 850 bcm.



Kuybyshev Refinery OJSC

Gas processing and LNG production

RN - YuganskGazPererabotka, a special-purpose vehicle to support the establishment of the Maysky gas processing complex, was formed in May 2017. The gas processing complex is set to improve monetization for the Company's natural gas produced in Nefteyugansk Region, utilize associated petroleum gas and create products with high added value. Site survey work, scheduled for completion in 2019, is currently under way.

Rosneft, in collaboration with its partners, is conducting front-end engineering studies for liquefied natural gas facilities, including Far Eastern LNG and Pechora LNG. Once completed, the studies will enable the partners to make a final investment decision.

Oil refining and petrochemicals production

Rosneft is the largest player on the domestic refining market, and controls refining facilities with a total annual capacity of 118.4 mmt. At the end of 2017, its domestic refining and petrochemicals segment comprised 13 major refineries in key Russian regions, three petrochemical and four gas processing entities²¹, two catalyst plants, and one service company.

The aggregate output of Russia-based assets rose from 87.5 mmt in 2016 to 100.6 mmt in 2017. The yield of light products increased by 1.8 p.p. to 58.4%, while the conversion rate swelled by 3.2 p.p. to 75.2% from a year earlier.

The Company continually maintains, supports and

100.6 MMT
of oil refined in
Russia in 2017

²¹ Including Bashneft assets and the stake in Slavneft-YaNOS.



Treatment plant design capacity at

> 3,500
CM PER HOUR

The upgrade of biological treatment facilities operated by Bashneft, an entity of the Rosneft Group

hour, the treatment complex is capable of handling all types of wastewater (industrial sewage, domestic sewage and stormwater sewage) coming from various sources even during the flood period, including Bashneft's refineries, 66 entities within Ufa's northern industrial hub and other facilities that may be brought on stream in the future. In November 2017 Rosneft and Indonesian state oil and gas company Pertamina signed a joint venture agreement to build a refinery and a petrochemical plant in Tuban in East Java, Indonesia.

Oil and gas supplies

Rosneft is focused on ensuring a balanced mix of crude monetization channels, export sales under long-term and tender-based spot contracts, and domestic supplies.

Crude oil exports within and outside the CIS totaled 121.8 mmt in 2017, with the eastern route, including pipeline supplies to China and seaborne shipments from the ports of Kozmino and De-Kastri, proving to be the most economically attractive to the Company. Eastbound supplies in 2017 rose to 47.7 mmt, up 10.7% year on year. The Company also sold 65.7 mmt of crude oil to customers in Northwestern, Central and Eastern Europe, the Mediterranean region and other regions outside the CIS. Exports to CIS countries amounted to 8.4 mmt.

upgrades domestic refining capacity. Key highlights in 2017 include the following:

- Completing the renovation of one of the world's largest biological treatment plants at the Bashneft-Ufaneftekhim refinery
- Completing extensive repairs and renovation for an atmospheric distillation unit (AT-6) at the Ryazan refinery
- Launching the production of Group III base oils, representing highly purified feedstock for high-quality synthetic and semi-synthetic motor oils produced at the Yaroslavl refinery
- Delivering major process equipment for a hydrocracking plant and methyl-diethanolamine (MDEA) regeneration unit at the Novokuibyshev refinery
- Completing the assembly of major process equipment as part of the ongoing construction of a diesel fuel hydrotreatment

plant by Angarsk Petrochemical Company.

Rosneft continued to integrate Ufa refineries in its production chain. The integrated production chain is set to improve the performance of refining and petrochemical assets, reduce operating costs and substitute certain foreign imports with local products.

A service contract for maintaining biological treatment facilities at Bashneft's production sites was signed between Rosneft and its strategic partner General Electric on the sidelines of the 21st St. Petersburg International Economic Forum. Under the contract, General Electric undertakes to service and maintain the treatment facilities, which are unique for Russia. Teaming up with General Electric will contribute to the Company's strong environmental performance. With a design capacity over 3,500 cm per

GROWING THE COMPANY'S REFINING FOOTPRINT IN ASIA PACIFIC

In August 2017 Rosneft closed a strategic deal to acquire a 49.13% stake in Essar Oil Limited. This is a high-quality asset with substantial growth potential.

Essar's Vadinar refinery has an annual capacity of 20 mmt and ranks second on the Indian market by output and among the world's top ten most complex refineries with a Nelson Complexity Index of 11.8. Owing to its high feedstock flexibility, the refinery can process various types of feedstock coming from Rosneft's own assets and trading operations, including heavy grades. The deal also includes the Vadinar deep-water export/import port that can accommodate very large crude carriers (VLCC) with a capacity up to 350,000 tonnes, and handle direct feedstock supplies and product export operations. A retail network of over 4,200 fuel stations across India also serves as an important addition to the deal.



Rosneft's total gas sales were 63.9 bcm, including 63.2 bcm sold on the domestic market and 0.7 bcm to customers outside Russia.

Under deals signed with foreign oil companies in 2017, Rosneft is purchasing crude from Libya's National Oil Corporation and will be investing in exploration and production projects in this country.

In 2017 Rosneft signed a series of agreements with the Government of the Kurdish Autonomous Region of Iraq to widen cooperation in exploration and production of hydrocarbons, commerce and logistics. The parties entered into production sharing agreements on five promising blocks and announced the launch of a joint infrastructure project to operate the region's oil export pipeline. This marked an important step toward strengthening the cooperation between Rosneft and Iraqi Kurdistan, which started in February 2017 from the signing of a two-year contract on crude purchase and sale. Owing to these agreements, Rosneft gains access to one

of the world's most promising oil regions with the expected recoverable oil reserves of around 45 billion barrels.

Rosneft, Petrocas Energy (a Rosneft subsidiary) and Motor Oil Hellas Corinth Refineries signed a trilateral agreement of intent in the area of crude oil and product supply. The parties agreed to arrange mutual supplies of crude oil and oil products for the next five years, including a possibility of increasing annual supplies to 7.5 mmt. The agreement raises the cooperation with the Greek partners to a whole new level and sets a foundation for stable and long-standing relations. The document will also enable Rosneft to independently sell oil products produced at the refineries of Motor Oil Hellas.

In 2017 Rosneft and China National Petroleum Company (CNPC) increased oil supplies to China via Kazakhstan to 10 mmt per year and agreed to prolong the existing contract for 10 years. The parties also signed an agreement to establish a Joint Coordinating

Committee, which is tasked with promoting strategic cooperation between the companies that involves long-term oil supplies, LNG projects, exploration and development of oil and gas reserves, oil refining, equipment manufacture and R&D.

Rosneft signed a number of documents with Turkey's leading energy producers, including an agreement with Demiroren Group Companies on petroleum product supplies in 2018-20, which are set to cover more than a half of Demiroren's annual demand. Rosneft also signed a cooperation agreement with BA Gas Enerji Sanayi ve Ticaret A.S. to organize the supplies of up to 6 mmt of oil products per year to consumers in Turkey.



Rosneft is successfully implementing offshore projects both in and outside Russia

OFFSHORE ACTIVITIES

Offshore exploration and production activities are a priority for Rosneft and play an essential role in delivering enhanced value for the oil and gas industry. Rosneft is successfully implementing its offshore projects both within and outside Russia in compliance with the license terms.

Offshore projects in Russia

Khatanga license area

In April 2017 Rosneft spudded Tsentralno-Olginskaya-1 in the Khatanga license area. Tsentralno-Olginskaya-1 is the northernmost well ever drilled on the Russian Arctic shelf. The drilling was inaugurated by Russian President Vladimir Putin during a video conference call with Rosneft CEO Igor Sechin who was on the shore of the Khatanga Bay. The drilling comes after Rosneft opened

a year-round research base on the Khara-Tumus peninsula in the Khatanga Bay in 2016. After conducting exploration activities in the Khatanga license area, which took less than 18 months to complete, the Company selected the Tsentralno-Olginskaya prospect to spud the first exploration well.

The surrounding area is unpopulated and has no infrastructure. Over 8,000 tonnes of cargo were delivered to the drilling site. Drawing on the latest technological and engineering tools, the Company managed to complete the required work in a record short time having drilled a structure test well, followed by a set of aerial, magnetic, gravity and seismic surveys. While the prospect is located in the waters of the Khatanga Bay in the Laptev Sea, the Tsentralno-Olginskaya-1 well was drilled from the shore (the

Khara-Tumus peninsula) with a large deviation from the vertical. With this approach, the Company was able to significantly reduce costs, achieve efficiencies and meet high environmental standards.

In June 2017, after obtaining drilling results, Rosneft submitted evidence proving the discovery of a new oil field to the State Commission for Mineral Reserves. The field's recoverable reserves are estimated at over 80 mmt (C1+C2).

Sakhalin-1

Rosneft continued its participation in the Sakhalin-1 project as member of the international consortium consisting also of ExxonMobil (US), SODECO (Japan) and ONGC Videsh Ltd. (India). Sakhalin-1 involves the development of three offshore fields (Chayvo, Odoptu-Sea and Arkutun-Dagi) in the Sea of Okhotsk, off the northwestern coast of Sakhalin Island. The

project produced over 9.2 mmt of oil and condensate in 2017, with the Company's share totaling around 1.8 mmt. The extracted crude is delivered to a local treatment facility and is then transported by pipeline to an oil terminal in De-Kastri in Khabarovsk Territory. The world's longest well, measured 15,000 meters, was completed at the Orlan platform on the Chayvo oilfield in the Sea of Okhotsk in 2017. This is a super complex well, which was drilled with a large deviation from the vertical.

As part of the Odoptu second stage drilling program, the Company drilled a production well from the new onshore drilling rig Krechet in 2017. The rig is specifically designed for wells with long horizontal sections, has superior mobility and can withstand exposure to extremely low temperatures below -40°C and seismic conditions.

Northern Tip of the Chayvo field

Under the license terms, Rosneft executes a work program at the Northern Tip of the Chayvo field in shallow waters, off the northwestern coast of Sakhalin in the Sea of Okhotsk. Chayvo oil is produced from five unique wells that deviate significantly from the

vertical. Innovative completion techniques were used on all wells; each of them is fitted with a blowout preventer to control the flow of gas and achieve the highest cumulative output. The field's production in 2017 totaled 1.4 mmt of oil and 200 million cubic meters of gas which was supplied to consumers. The accumulated production since the inception of the project reached the landmark figure of 5 mmt in April 2017.

Lebedinskoye field

Lebedinskoye, an offshore field in the Sea of Okhotsk, produces oil from four wells. The oil properties are similar to those of the Sokol grade. The output in 2017 totaled 332,000 tonnes of oil and around 25 million cubic meters of gas. Following the Company's successful efforts to change the boundaries of the field, its reserves were revised upward in 2017. Another highlight in 2017 is the commissioning of an oil pipeline between Lebedinskoye and Odoptu-Sea that is designed to increase the safety of operations.

Odoptu-Sea field (the Northern Dome)

Oil is produced from horizontal wells drilled from the shore. A total of 40 wells have been

drilled since the project's inception, each with a high-angle deviation from the vertical. The output in 2017 totaled 371,000 tonnes of oil and 128 million cubic meters of gas. The field's 2017 infrastructure development program included the construction of oil and gas gathering and treatment facilities, a reservoir pressure maintenance system, pipelines for transporting oil, gas and water from the field, and power generating facilities.



International offshore projects in frontier regions

VIETNAM



Rosneft teams up with ONGC and PVN in joint projects to produce gas and condensate, and explore Block O6.1 in the Socialist Republic of Vietnam. The partners produced 2.99 bcm of gas and 0.07 mmt of condensate, with Rosneft's share totaling 0.6 bcm and 14,700 tonnes, respectively. Earlier acquired 3D seismic data helped to identify near-term drilling prospects.

Since 2013 the Company has been participating in a project to develop Block O5.3/11. The project, implemented on production sharing terms, is currently at the exploration phase. The license work program, which includes a seismic survey and a first exploration well, has now been completed in full. In 2017 the Company took steps to extend the exploration period for this Block. Another exploration well is scheduled for 2018.

Along with Perenco and PVN, Rosneft has a stake in the Nam Con Son offshore pipeline, which transports gas and condensate from offshore sites in the Nam Con Son basin to an onshore treatment facility.

In 2017 the Governments of Vietnam and Indonesia agreed on hydrocarbon supplies from Indonesia to Vietnam. The

Company's projects in Vietnam can benefit from this agreement through the shared use of Block O6.1 infrastructure and the Nam Con Son pipeline.

EGYPT



In 2017 the Company closed a deal with Italy's Eni S.p.A to acquire a 30% stake in the concession for the Zohr gas field off the coast of Egypt. Zohr is a major gas deposit in the Mediterranean Sea, with in-place reserves estimated at 850 bcm.

By teaming up with Eni and BP the Company will be able to build competencies in managing large offshore projects and establish itself as a major oil and gas player in the MENA and the Mediterranean region that have a substantial resource potential, as confirmed recently by major hydrocarbon finds.

Production from the Zohr field started in December 2017, and the entire amount of produced gas will be supplied to Egypt's national gas grid.

The development of the unique gas field on a par with the world's majors and strategic partners provides the following benefits to the Company:

- Participating in one of the largest discoveries in the recent years (over 30% of Egypt's total gas reserves)

and achieving a rapid growth in gas production abroad

- Tapping into Egypt's gas market with a possibility to establish itself as a major player both in Egypt and neighboring countries
- Expanding competencies in the area of joint development of offshore fields
- Learning to develop carbonate reservoirs and deploy the accumulated experience in its Black Sea projects.

VENEZUELA



Rosneft continued to assess various possibilities for developing gas condensate fields off Venezuela's coast and building the supporting infrastructure. In December 2017 its subsidiary obtained a 30-year license for the Patao and Mejillones offshore gas fields, which grants the right to sell all of the fields' production for export. The Company plans to participate in new licensing rounds to acquire rights for other acreages.



ARCTIC EXPEDITIONS

Rosneft continues its comprehensive Arctic research program. The Company's Arctic Research and Design Center for Offshore Development (the "ARC"), established in 2011, conducts supporting research and provides expertise in the environmental and industrial safety of offshore projects. ARC's activities include performing hydrometeorological and sea-ice observations, building databases, drawing up design specifications for offshore facilities and developing innovative solutions for monitoring the Arctic environment, including glaciers and drifting icebergs.

The following expeditions were organized by the ARC in 2017:

- Kara-Summer 2017, an expedition to gather sea-ice and metocean data on the Barents Sea and the Kara Sea
- Khatanga-Winter 2017, an expedition to conduct geocryological studies of permafrost rocks in the Khatanga Bay of the Laptev Sea.

The Company continues year-round hydrometeorological observations that include the studies of the region's sea-ice conditions. These activities are focused on gathering metocean data and developing a recalculation methodology for determining the structural properties of sea ice of different age in the Laptev Sea.

The following tasks were also completed by the ARC in 2017 in line with its work program:

- Building a mathematical model and calculating metocean parameters of the Barents, Kara, Laptev, East Siberian and Chukchi seas of the Russian Arctic over a minimum period of 50 years
- Developing an iceberg drift modeling program
- Conducting scientific research in order to (i) propose recommendations for wellhead protection during the winter drilling season as part of a two-year exploration program, and (ii) design solutions for a longer drilling season on mobile offshore drilling platforms under ice conditions
- Drafting a methodology for geocryological mapping of the Arctic shelf and building digital maps for the geocryological zoning of the Kara Sea and the Laptev Sea
- Populating the Arctic Sea Database
- Conducting systematic research aimed at predicting and monitoring offshore geological and geotechnical conditions across the eastern Arctic
- Conducting geochemical, geotechnical and geophysical studies to evaluate the oil and gas potential of the eastern Arctic in the course of an interdisciplinary expedition
- Finalizing a methodology for marine-mammal observations during offshore exploration activities in the Arctic, subject to individual conditions in a given basin
- Finalizing a methodology for mapping marine benthic habitats using common hydrobiological methods and remote-sensing geophysical techniques
- Completing in-house work to process data on polar bears inhabiting the Wrangel



The Kara-Summer 2017 expedition made a unique contribution to ice management practice

Island Nature Reserve as part of a wider program to study the populations of polar bears in Alaska and the Chukchi Sea region.

In 2017 the ARC patented 18 inventions in biotechnology, microbiology, ecology and environmental management (biodegradation of oil sludge and petroleum product waste). Following the publication of an environmental atlas on the Kara Sea a year earlier, the ARC published an environmental atlas of the Laptev Sea and an atlas of sea mammals of Russia's Arctic and Far East.

Kara-Summer 2017

Kara-Summer 2017, the eighteenth Arctic expedition organized jointly by Rosneft, the ARC, and the Arctic and Antarctic Research Institute, made a unique contribution to ice management practice: for the first time in the Russian Arctic, a Russian icebreaker towed an iceberg weighing 1.1 million

tons. The expedition worked in the Barents and Kara seas.

The work program included ice-management tests and 18 tows of icebergs in the Kara Sea. An onshore computer-aided team was set up at the ARC to provide ongoing support for the expedition by processing real-time data from the Novorossiysk icebreaker and offshore facilities in the Barents and Kara seas.

With the set of tasks completed during the expedition, Rosneft gained unique experience and competencies which are essential to the safety of offshore exploration operations in the Arctic. All tasks were performed with due care and diligence, observing the highest environmental and safety standards.

Maintenance jobs were done on automatic weather stations and autonomous subsurface floats in the Kara Sea. The Rosneft team obtained a five-year data record of continuous

hydrometeorological observations in East Prinovozemelskiy license areas that started in 2012.

Khatanga-Winter 2017

The Khatanga-Winter 2017 glacial ice research expedition, organized by Rosneft in collaboration with the ARC, explored the Khatanga Bay and the southern part of the Laptev Sea. The studies were conducted from Rosneft's year-round research base located on the Khara-Tumus peninsula in the Khatanga Bay.

The research program included hydrometeorological observations, a morphometric and spatial analysis of ice landforms to determine permafrost dynamics, and a study of physical and mechanical properties of Arctic ice.

IMPORT SUBSTITUTION AND LOCALIZATION

With a view to reducing dependence on imports and building domestic manufacturing and engineering capabilities, Rosneft implements the Import Substitution and Localization Program, adopted in May 2015 both for mid- and long-term.

The program is focused on maximizing local content in the procurement of products and services through sourcing from local producers and service providers and establishing local production sites and maintenance centers for critical equipment required in the Company's current and future projects.

The Company continued to work closely with the Russian Government, the Ministry of Industry and Trade, the Ministry of Energy, the Ministry for Economic Development and other federal executive bodies to address import substitution tasks in 2017. It is represented in various intergovernmental task forces and research groups established by federal executive bodies to consider topical issues, such as reducing the domestic energy sector's dependence on imported equipment, components and spare parts, as well as on foreign services and software. Rosneft is also involved in public discussions of draft laws and regulations aimed at facilitating import substitution.

The program spans a 10-year period and includes the following key stages:



Zvezda shipbuilding complex

The Zvezda shipbuilding complex in Bolshoi Kamen is the Company's key project that involves the establishment of a modern industrial and shipbuilding cluster in the Russian Far East based on the Far Eastern Shipbuilding and Ship Repair Center.

The project to construct the modern shipbuilding complex is planned to be delivered in two phases:

- Phase 1 provides for an extended work program that includes a hull fabrication

workshop, paint shops, heavy fitting workshops with an open land-based construction area and a floating transfer dock to build vessels and marine engineering facilities. The work is scheduled for 2012-19.

- Phase 2 includes a dry dock and full-cycle production facilities and workshops to build large vessels and marine engineering facilities. The work is scheduled for 2016-24.

The hull fabrication workshop and paint shops were commissioned in 2016. A permit to commission the open

1. Searching for domestic equivalents of foreign equipment, justifying their use and replacing foreign imports with domestic products through developing local manufacturing capabilities and improving the quality of domestic products.
2. Teaming up with the world's leading equipment manufacturers to set up local production through a partnership or joint venture arrangement.
3. Establishing a phased process to gradually move foreign production to Russia, from assembly to full-scale manufacturing in collaboration with foreign partners, and achieving the localization rate of at least 70% by 2025.

land-based construction area was granted in August 2017. Once completed, Zvezda is set to become Russia's most modern shipyard that uses some 330,000 tonnes of rolled steel per year. Until 2035, it is planned to build 178 vessels and offshore facilities.

Zvezda will be geared for building large high-tech vessels, offshore drilling, exploration and production platforms, and service fleet, including ice breakers.

Tanker vessels and LNG carriers will also constitute an essential element of the production program. Their manufacture will require the use of unique pioneering solutions, most of which will be completely new for the domestic shipbuilding industry.

Among other innovations, Zvezda will use highly automated processes such as automated lines and modern CNS systems.

Localization agreements

In 2017 Rosneft signed a number of important agreements with the world's leading companies, including

General Electric, Gaztransport & Technigaz, Hyundai Heavy Industries, Samsung Heavy Industries, DSEC and Lamor, to set up local production of equipment and other products, which are not currently manufactured in Russia.

Cooperation with General Electric (GE)

The construction of a plant to manufacture steerable thrusters to support Zvezda's shipbuilding projects has started recently.

Rosneft signed a contract with GE on the sidelines of the 2017 St. Petersburg International Economic Forum to design a new configuration of steerable thrusters for large vessels. Once the project is finished, the plant will be able to expand its product range with higher-power thrusters (up to 15 MW) used in large vessels and LNG carriers.

Work was completed on an engineering design solution of a 7.5 MW thruster for Zvezda's multi-purpose supply vessels. Rosneft obtained approval for project documentation from the Russian Maritime Register



330,000

TONNES

of rolled steel is to be used by Zvezda shipyard annually



178

VESSELS AND OFFSHORE FACILITIES

are to be built by Zvezda by 2035



of Shipping, and started the procurement process for long-lead items, with some contracts already awarded.

Cooperation with Gaztransport & Technigaz (GTT)

A memorandum of understanding (MOU) to design and manufacture cargo containment systems for LNG carriers in Russia was signed in June 2017. The MOU also envisages preparatory activities for the construction of LNG carriers at the Zvezda shipbuilding complex. With a view to obtaining a manufacturing license from GTT, the parties agreed, on the sidelines of the 2017 Eastern Economic Forum, that GTT would conduct a technical due diligence to assess Zvezda's capabilities to manufacture membrane tank systems. The Zvezda shipbuilding complex has passed GTT's initial audit.

Cooperation with Hyundai Heavy Industries (HHI)

Rosneft signed several documents with HHI on the sidelines of the St. Petersburg International Economic Forum

and the Eastern Economic Forum to advance cooperation on the Aframax construction project via the Zvezda-Hyundai joint venture (design and construction support, engineering and design work, and project documentation development).

Cooperation with Samsung Heavy Industries (SHI)

On the sidelines on the Eastern Economic Forum in September 2017, Zvezda and SHI signed a Heads of Agreement for the establishment of a joint venture to manage shuttle tanker construction projects.

Cooperation with DSEC

The Far Eastern Design Institute Vostokproektverf, a subsidiary of the Far Eastern Shipbuilding and Ship Repair Center, and South Korea's DSEC Co., Ltd agreed to establish a joint venture to provide design, engineering, procurement, management, and supervision services in shipyard construction. The JV agreement was signed on the sidelines of the Eastern Economic Forum in pursuance of the memorandum of understanding earlier signed by the parties.

Cooperation with Lamor

Rosneft signed an agreement with Finland's Lamor on the sidelines of the Eastern Economic Forum to establish a joint venture for the production of oil spill response equipment at Ship Repair Plant No. 82. The parties are now preparing legal documentation for the joint venture.



CORPORATE GOVERNANCE

Corporate governance at Rosneft represents a comprehensive framework involving the entire range of relations among executive bodies, the Board of Directors, shareholders and other stakeholders that is aimed at:

- Observing the rights of shareholders and investors
- Increasing the Company's investment appeal
- Creating effective mechanisms to assess risks that may impact shareholder value
- Ensuring the efficient and diligent use of financial resources provided by shareholders and investors.

Corporate governance is constantly evolving in response to both external and internal factors and requires the ongoing monitoring of developments in corporate law, regulatory requirements and bidding criteria. Over the past few years, including 2017, Rosneft has used the CBR Code as a benchmark to improve its corporate governance framework.

In 2017 Rosneft continued to implement the Roadmap, adopted by the Board of Directors two years earlier, to introduce the key provisions of the CBR Code in the Company's day-to-day business. Detailed information on the progress achieved in 2017 is provided in the Company's 2017 Annual Report.

As recommended by the CBR Code, all existing and proposed members of the Board of Directors were subject to regular assessment procedures to make sure they meet key independence criteria, with results of such assessments used as a basis for confirming their independence status. Resolutions of the Board of Directors are available on the Company's website <https://www.rosneft.ru/governance/corpboard/>.

The Company scored 92.4% in the corporate governance self-assessment that was conducted by the internal audit team in accordance with the methodology recommended

by the Federal Agency for State Property Management (Order No. 306 of 22 August 2014), up 2.7 p.p. from a year earlier. This signals that the Company observes almost all CBR recommendations that are applicable to it.

Rosneft is determined to continue on the set toward a robust corporate governance, with the main target for the coming years being to establish a system that will make it possible for shareholders to get notice of a General Shareholders' meeting, have access to materials for a meetings, request and receive documents, and vote electronically on its agenda items.

Rosneft's Corporate Governance Code is a core document that determines key principles underlying its corporate governance framework. The principles embedded in the Company's Code are aligned with those of the Code of Corporate Governance adopted by the Bank of Russia (the "CBR Code"), as well as those of the Organization for Economic Cooperation and Development, including the following:

1. Protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, with each shareholder to have the opportunity to obtain effective redress for violation of their rights.
2. Ensure the strategic guidance of the Company by an effective and professional Board of Directors, the effective monitoring of management by the Board of Directors, and the Board's and management's accountability to the shareholders.
3. Recognize and protect the rights of stakeholders established by law, and encourage active cooperation between the Company and stakeholders in building the Company's wealth, observing sustainability standards and creating jobs; build an effective internal control and risk management framework that provides reasonable assurance that the Company's goals will be met.
4. Ensure that timely and accurate disclosure is made on all material matters regarding the Company, including the financial situation, performance, ownership, governance of the Company, significant corporate actions, etc.

BOARD OF DIRECTORS

Pursuant to amendments to Rosneft's Charter, approved by an extraordinary General Shareholders' Meeting on 29 September 2017, the size of the Company's Board of Directors was increased from nine to eleven members in order to accommodate the Company's growing business and address new strategic priorities.

The composition of the Board of Directors is determined based on proposals from the shareholders and maintains the optimum balance between executive, non-executive and independent directors. The Board of Directors is comprised of four independent directors — Gerhard Schroeder, Matthias Warnig, Oleg Vyugin and Donald Humphreys — who account for over a third of its members.

Three members were elected in 2017 for the first time: Gerhard Schroeder, Chairman of the Board of Directors, Independent Director; Faisal Alsuwaidi, Member of the Board of Directors, Member of the Strategic Planning Committee; and

Ivan Glasenberg, Member of the Board of Directors, Member of the Strategic Planning Committee.

Each of them has strong competencies and extensive experience across a broad range of sustainability topics, including responsible financing, non-financial risk management, business ethics, anti-corruption practices, HR, occupational health and safety, human rights, climate changes, greenhouse gas emissions, energy efficiency, and environmental protection.

Information about the experience and professional level of other members of the Board of Directors is provided in Sustainability Reports for prior periods.

To advance the Company's sustainability agenda, the Board of Directors approved the following key documents in 2017 after they were considered by the Board committees²²:

- Rosneft-2022, the strategy aimed at implementing programs and initiatives to promote a safety culture and leadership, improve industrial safety management

and deploy occupational and environmental controls

- New versions of the Company's Sustainable Development Policy, Innovation Policy, Internal Audit Policy and Dividend Policy

Regulation on managing conflicts of interest at Rosneft and its subsidiaries

- Rosneft's Energy Saving Program for 2018-22
- The following reports were also considered by the Board of Directors:
- Reports on the implementation of the Innovation Program for 2016 and the Energy Saving Program for 2016-20
- Report on the group-wide implementation of professional standards.

SHAREHOLDER RELATIONS

Rosneft's corporate governance framework ensures equitable treatment for all shareholders to enable them to exercise their rights effectively. The Company's supreme governing body is the General Shareholders' Meeting, which is competent to decide on matters

²² Except Rosneft's Energy Saving Program for 2018-22.

that are fundamental to Rosneft's business. The Company uses its best efforts to facilitate the participation of the shareholders in general meetings.

According to the Charter, in-person shareholders' meetings may be held not only in Moscow, where the Company is based, but also in large regional centers where its shareholders reside, such as St. Petersburg, Krasnodar, Sochi, Stavropol, Saratov, Orenburg, Tyumen, Krasnoyarsk, Khabarovsk, Vladivostok and Krasnogorsk in Moscow Region.

During a general shareholder's meeting, all shareholders are given equal opportunities to express their opinion on its agenda items and direct questions at speakers, members of the Board of Directors, the Chief Executive Officer, members of the Audit Commission, independent auditors, candidates for executive and controller positions, analysts and consultants, with relevant answers to be provided either during or after the meeting.

Two general shareholders' meetings were held in 2017: an annual meeting on 22 June in Sochi, and an extraordinary meeting on 29 September in St. Petersburg. Detailed information about these meetings is disclosed in the 2017 Annual Report. Resolutions of the general shareholders' meetings are available on the Company's website https://www.rosneft.com/Investors/Shareholders_meeting/.

The Company provides equal and fair opportunities for all shareholders to participate in its profits by deciding on profits allocation, including distributing a portion of profits as dividends. Rosneft's Dividend Policy stipulates key principles and approaches regulating dividend payments, and ensures that the decision-making process to pay or declare dividends and to determine their amount and payment procedure is transparent.

The Board of Directors approved amendments to the Dividend Policy on 31 August 2017 to raise the

minimum payout ratio from 35% to 50% of consolidated net earnings reported under IFRS. Dividend payouts are to be made every six months or more frequently. The claim period for dividends declared but not paid due to the absence of the shareholder's address or bank details has been extended to five years.

According to a decision by the shareholders in 2017, dividend payouts for 2016 and for the first six months of 2017 amounted to RUB 63.4 billion and RUB 40.6 billion, respectively.

- The Company offers several communication channels that are designed to assist shareholders in exercising their rights:
- Oral communications can be made via the hotline at 8 800 500 1100 (toll-free within Russia) or +7 495 987 3060
- Letters can be mailed to 26/1 Sofiyskaya Naberezhnaya, 117997, Moscow, Russia
- Emails can be sent to shareholders@rosneft.ru
- Fax communications can be set to +7 499 517 8653.

A total of 4,585 phone calls, 509 letters, 77 emails and 727 dividend payment requests for prior periods were processed in 2017.

The most frequently asked questions from shareholders in 2017 were about records of title to shares, disposal of shares, dividend payments, participation in general shareholders' meetings, and voting with shares. The Company answered all the questions.



› Resolutions of the Board of Directors can be found at the Company's website: <https://www.rosneft.com/governance/board/>



› Resolutions of the general shareholders' meetings can be found at the Company's website: https://www.rosneft.com/Investors/Shareholders_meeting/



INVESTOR RELATIONS

In 2017 Rosneft continued to work closely with institutional investors drawing on best international practices, with full transparency regarded as a number one priority.

Rosneft shares are among the most attractive investments on the domestic stock market. The Company's has a diversified investor base comprising over 700 institutional investors. Its stock performance is analyzed by 19 investment banks. The Company engages with its investors, both current and prospective, through the Chairman of the Management Board, business line leaders, the First Vice President, and the Investor Relations Department.

The Company's extensive investor relations program in 2017 included the participation of the Chairman of the Management Board in major international investment forums as a key speaker and over 200 personal and collective meetings between Company management and leading investment funds.

The Company holds quarterly conference calls for investors,

attended by its finance and operations executives, to discuss its operating results for the reporting period. Information for shareholders and investors, including press releases, presentations, annual reports, sustainability reports and material disclosures relating to decisions of the Board of Directors and Management Board, is posted on the corporate website www.rosneft.ru.

Rosneft continued steps in 2017 to improve its investment appeal as measured by environmental, social and governance (ESG) investing criteria. The Company reaffirmed its commitment to the UN Global Compact. Rosneft has improved its ESG performance across a number of ratings, including Bloomberg, Thomson Reuters, RobecoSAM, Sustainalytics, and GES by tapping into global analytical resources in the area of environmental, social and governance investing. The Company continued to engage with other leading ESG consulting agencies, such as ISS, MSCI, Trucost, Corporate Human Rights Benchmark and CDP. Rosneft completed a CDP questionnaire (unscored) in 2017 and its responses are now available to investors in the CDP

database; in 2018 the Company plans to be assessed for the first time and assigned a CDP score.

In response to investor requests, the Company was providing updates on its activities through the prism of climate changes, including progress on its Gas Investment Program, steps to improve energy efficiency, ensure pipeline safety, produce environmentally friendly fuels and manage greenhouse gas emissions, etc. Given that ESG investing matters are in the spotlight for both current and potential investors, Rosneft is determined to make major improvements to the way it communicates them to external stakeholders in 2018.



Sustainable Development Policy

In 2017 the Board of Directors approved the new version of the Sustainable Development Policy that reflects recent developments in sustainability management and takes into account new regulations²³ and best practices.

The new version contains amendments and additions to sections dealing with health, safety and environment, engagement with the business community, engagement with society, and sustainability reporting. It was expanded with new sections on energy efficiency and

conservation and emergency prevention and response.

The Policy also reflects the Company's position on human rights. The Company recognizes the sanctity of human rights, including the right to live and work in a healthy and favorable environment. The Company strives to prevent any violations of human rights. The Company employs underage workers only to the extent it is permitted by Russian law.

The Sustainable Development Policy is a public document and may be accessed on the Company's website²⁴.

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» The Company's Sustainable Development Policy can be found at the corporate website: https://www.rosneft.com/upload/site2/document_file/development_policy_eng.pdf

²³ The Public Non-Financial Reporting Concept, approved by Resolution No. 876-r of the Russian Government of 5 May 2017.



Participation in the UN Global Compact

The UN Global Compact (UN GC) is a United Nations initiative launched in 2000 by then UN Secretary-General Kofi Annan to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN GC is a principle-based framework, stating 10 principles in the areas of human rights, labor, the environment and anti-corruption, and its members are expected to engage in business practices while pursuing profitability with integrity. The UN GC is the world's largest corporate sustainability initiative, with more than 9,700 companies and non-business signatories based in over 160 countries. Rosneft became member of the UN GC in 2010.

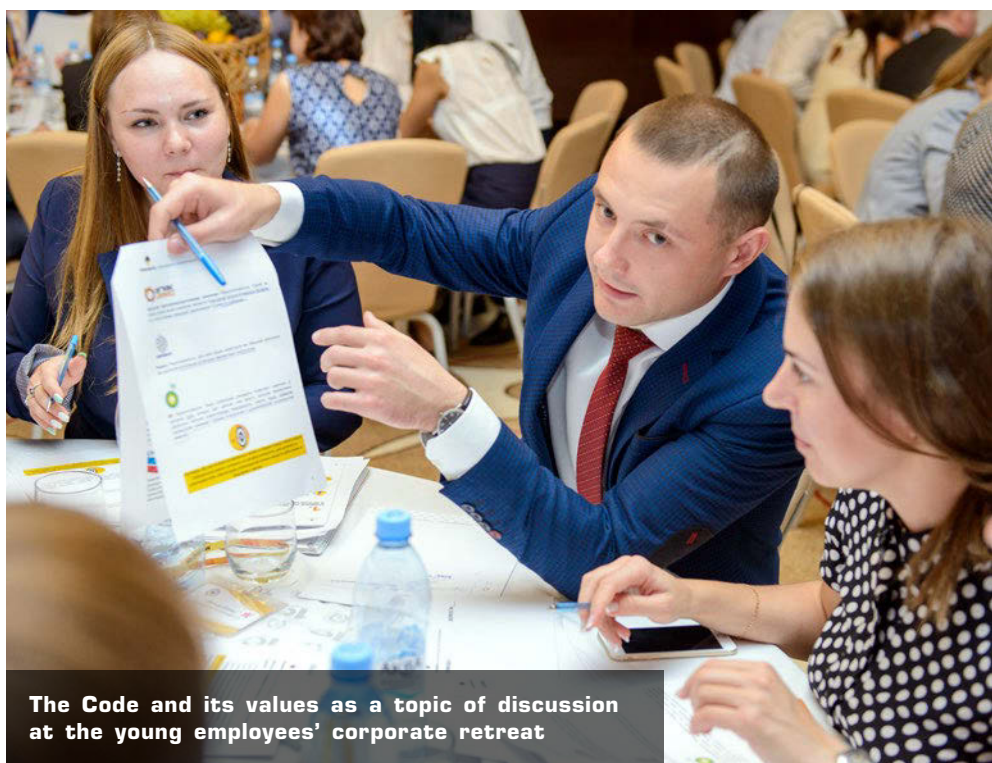
Since 2007, the Company has been voluntarily publishing sustainability reports containing qualitative and quantitative information about its environmental and social performance. The reports also demonstrate the Company's commitment to UN GC principles. Environmental performance disclosures have become mandatory for state-owned companies since 2012²⁵. Rosneft has continued its sustainability reporting practice, with this Report being the eleventh in a series of publications prepared on an annual basis.



ETHICS MANAGEMENT FRAMEWORK

In 2015 the Company adopted a new version of the Code of Business and Corporate Ethics that is aligned with best domestic and

sessions and contests. These initiatives were also supported by a large-scale campaign to promulgate the Code across Bashneft and Kondaneft as part of their integration in the Group. Both Bashneft and Kondaneft had a Code approval procedure put in place, with roll-out plans established and delivered, ethics champions appointed and information



The Code and its values as a topic of discussion at the young employees' corporate retreat

global practices. The Code, designed to ensure employees' commitment to the highest ethical principles, is a common reference document that sets out the standards of behavior expected from employees in relationships with each other and stakeholders, including business partners. All employees were involved in implementing the Code, and it applies to every employee, regardless of level or position.

The Company continued to build awareness of the Code and promote a compliance culture in 2017 by holding business ethics workshops, training

materials prepared and communicated to all employees.

The Company has a Council for Business Ethics, a permanent body composed of ethics leaders and other executives. The Council is a collective body responsible for considering ethics and conflict of interest issues, overseeing and monitoring the enforcement procedures for the Code, and ensuring compliance with corporate regulations.

The Council's activities in 2017 resulted in the adoption of a Comprehensive Anti-Fraud and Anti-Corruption Program

²⁵ Directive No. 1710p-P13 of the Russian Government of 30 March 2012.

for 2017-18, the approval of a draft Regulation on managing conflicts of interest at Rosneft and its subsidiaries, and the updating of the Compliance Roadmap for 2018-19.

The Company publishes regular articles in the Our News information bulletin and Oil Courier newspaper. It also runs a regular column featuring questions and answers on the Code. Ethics of Business Relations, a corporate contest among internal communications experts, also helped to raise awareness of business ethics.

Rosneft held regular ethics workshops and training sessions in 2017. The Company organized Code of Business and Corporate Ethics: Theory and Practice, a corporate seminar attended by around 120 professionals. Employees of Group entities in Moscow Region and the Company's head office underwent training in fundamentals of business and corporate ethics, which was delivered by internal trainers. Another training session, The Code and its Values, was held during a retreat in Sochi organized for the Company's young trade unionists; around 100 employees attended

the session. As part of an executive workshop, around 200 members of corporate social services teams participated in a focus group themed The Code as a Means of Increasing Employee Involvement and Loyalty: Empowering Young Talent.

The Company continued to run the ethics hotline that is designed to obtain feedback on ethics issues. Employees and other concerned persons are welcome to email their queries regarding the Code's application or compliance issues to code@rosneft.ru. A total of 66 queries were received in 2017, relating mostly to compliance with labor laws, ethics breaches and requests for additional information about business ethics. All queries were duly handled by relevant departments. There is an ongoing exchange of information with the Security Service that supervises the Company's Security Hotline.



COMPLIANCE FRAMEWORK

The Company is highly committed to preventing and fighting corruption. In 2017 it continued to build a robust framework designed to ensure compliance with applicable domestic and international anti-corruption laws:

- Efforts are under way to implement and update the Compliance Roadmap, approved by the Board of Directors for 2016-19
- The Business Ethics Council put together and introduced the Comprehensive Anti-Fraud and Anti-Corruption Program for 2017-18
- The Board of Directors approved a formalized procedure for managing conflicts of interest at Rosneft and Group entities
- Updates were made to the Company's policy governing anti-corruption assessment of local regulations proposed for adoption
- Regular training initiatives and awareness campaigns are organized for employees to improve

BUSINESS GAME "WHAT IS THE CODE?"

A business game called "What is the Code?" was held in Novokuibyshevsk Petrochemical Company in August 2017.

The game's 48 participants were divided into eight teams; each team was given a piece of paper with one of the Company's four values written on it: leadership, safety, effectiveness or integrity. The teams were supposed to create an animated video about the value of their choice, illustrating its real purpose and meaning to each employee. They went through every stage of the film-making process from writing a script, drawing moving pictures to dubbing the film. By the end of the day, each team presented their product, with eight films now available to those willing to learn more about the Company's corporate values.



their knowledge of core anti-corruption principles adopted by the Company

- Efforts are under way to put together two multimedia distance learning (MDL) programs, Business Ethics Compliance: Managing Conflicts of Interest and Business Ethics Compliance: Corporate Gifts and Hospitality.

Internal communications are a critical element of a robust compliance framework. 2017 saw the publication of five issues of the All About Compliance information bulletin covering a wide range of topics, such as corporate values and their role in shaping an organizational culture, compliance practices applied by Western companies, latest developments in compliance regulation, and managing conflicts of interest as a means to counter corruption. The Company runs an ongoing campaign to raise awareness of fraud and corruption with management and other staff and build an effective culture that reinforces a zero tolerance to fraud and corruption across the Rosneft Group.



ВСЁ О СИСТЕМЕ КОМПЛАЕНС

Основная цель создания в Компании системы комплаенс — минимизация правовых, и репутационных рисков, возникающих вследствие нарушений профессиональных и этических стандартов сотрудниками и Компанией в целом.

МОСКВА
ДЕКАБРЬ 2017 ГОДА
№ 26

«УПРАВЛЕНИЕ КОНФЛИКТОМ ИНТЕРЕСОВ КАК МЕРА ПРОТИВОДЕЙСТВИЯ КОРРУПЦИИ»



Каждый из нас сталкивался с ситуацией конфликта интересов в своей профессиональной деятельности. Но не всегда мы понимаем и знаем, как правильно находить выход из подобных ситуаций. Неурегулированные конфликты интересов могут привести к различным коррупционным нарушениям и оказать негативное влияние, как на репутацию, так и на деятельность организации. Данная проблема актуальна не только для государственных компаний, но и для коммерческих организаций независимо от размеров бизнеса. Международное и российское законодательство, а также внутренние нормативные документы корпораций требуют урегулирования конфликта интересов.

ОСНОВЫ УПРАВЛЕНИЯ КОНФЛИКТОМ ИНТЕРЕСОВ

В нашей Компании основные принципы управления конфликтом интересов изложены в Положении «Порядок управления конфликтом интересов в ПАО «НК «Роснефть» и Общества Группы», утвержденном решением Совета директоров ПАО «НК «Роснефть» в этом году. Положение разработано в соответствии с требованиями антикоррупционного законодательства Российской Федерации, Кодекса деловой и корпоративной этики НК «Роснефть», Кодекса корпоративного управления ПАО «НК «Роснефть», а также с учетом за-

коном Великобритании «Ю Борн» со взаимочислителями (UK Bribery Act 2010), Законом США «Ю противодействия коррупции во внешнеэкономической деятельности» FCPA (Foreign Corrupt Practices Act 1977).

Положение устанавливает основные требования в области

управления конфликтом интересов, правила поведения органов управления, должностных лиц/работников Компании при возникновении конфликта их частных интересов и личной заинтересованности с деловыми интересами Компании, регулирует вопросы разрешения подобных ситуаций, в том числе меры управления Конфликтом интересов и принципы принятия управленческих решений.

КОНФЛИКТ ИНТЕРЕСОВ — ситуация, при которой личная заинтересованность (прямая или косвенная) работников ПАО «НК «Роснефть»/Общества Группы и членов коллегиальных органов управления ПАО «НК «Роснефть»/Общества Группы влияет или может повлиять на надлежащее, объективное и беспристрастное исполнение ими должностных (служебных) обязанностей (осуществление полномочий).

(термин из корпоративного глоссария)

Оценка «надлежащего, объективного и беспристрастного исполнения обязанностей» — дело достаточно тонкое. Она неизбежно связана с субъективной характеристикой отношения к действиям (решению) субъекта конфликта интересов.

Конфликт интересов должен устанавливаться исключительно на реальности фактов, а не на предположениях относительно возможности действий лица, обязанного принимать

Rosneft continued to improve its internal anti-corruption and anti-fraud regulatory framework in 2017. In particular, the Company:

1. Approved templates and guidelines for reporting income, property and property-related obligations of Rosneft employees, complete with an approved list of job positions
2. Approved and adopted regulations on high-level process mapping and business process data sheets to compile a list of corruption-prone business processes and keep it current
3. Approved a standard anti-corruption clause and a model addendum to agreements on intra-group deals and transactions with individuals
4. Revised its internal regulations governing procurement, pricing and counterparty checks, which are instrumental to mitigating corruption risks in procurement



PREVENTION OF FRAUD AND CORRUPTION²⁶

The Company remained focused on enhancing the effectiveness of measures designed to counter corruption and corporate fraud and ensure that both top management and other staff comply with international and Russian anti-corruption laws, as well as with its internal regulations in this area.

Rosneft continued to improve its internal anti-corruption and anti-fraud regulatory framework in 2017. In particular, the Company:

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- Approved and adopted regulations on high-level process mapping and business process data sheets to compile a list of corruption-prone business processes and keep it current
- Approved a standard anti-corruption clause and a model addendum to agreements

- on intra-group deals and transactions with individuals
- Revised its internal regulations governing procurement, pricing and counterparty checks, which are instrumental to mitigating corruption risks in procurement

Owing to its robust controls of contracting, pricing and discount practices, the Company was in the position to effectively detect any indications or evidence of affiliation, vested interests or potential corruption schemes. The 2017 review process covered 117,051 prospective contractors, of which 2,618 were barred from participating in procurement procedures.

The Company continued systematic efforts to identify commercial schemes involving malpractice or abuse of power on the part of management or third parties; 735 criminal cases were initiated in 2017 based on evidence gathered by security officers of various Group entities and provided to law enforcement agencies.

Rosneft continued to take actions to prevent any instances of theft, fraud or damage



117,051

PROSPECTIVE CONTRACTORS

were reviewed in 2017

²⁶



» The Company's Anti-Corruption Policy can be found at the corporate website:

https://www.rosneft.com/upload/site2/document_file/P3-11_03_01_P-01_EN.pdf

INTRODUCTION OF ANTI-CORRUPTION PRINCIPLES AT BASHNEFT

Among key objectives facing the process of Bashneft's integration in Rosneft is ensuring consistent approaches to doing business and reliance on a common regulatory framework. In March 2017 Bashneft's Board of Directors approved a local Anti-Corruption Policy, which is another high-level document designed to promote consistent business practices, including on the anti-corruption front. The company takes a zero-tolerance approach to corruption in all its forms and manifestations when communicating with shareholders, investors, counterparties, government officials, political party officials, subsidiaries, employees or other stakeholders. This is a fundamental principle of its Anti-Corruption Policy.



CYBERSECURITY

Cybersecurity is a key focus for Rosneft in the context of its strategic priorities set for the next five years until 2022. The Company adopts a risk-based approach to cybersecurity that is in line with statutory requirements and draws on international best practice.

The Company adopts a risk-based approach to cybersecurity that is in line with statutory requirements and draws on international best practice.

Information security management processes are embedded in the corporate governance framework. The

Company makes regular updates to its information security regulations and has formed dedicated security teams to focus on meeting IT security needs. Ongoing threat intelligence²⁷ and awareness²⁸ are also regarded as important drivers of cybersecurity.

The Company is closely focused on ensuring the security of its industrial automation control systems.



when handling hydrocarbons or petroleum products.

All prospective applicants for employment with the Company are screened to identify conflicts of interest that they may have, including affiliation. The Company completed a number of organizational procedures in 2017 focused on (i) employing former government officials; (ii) gathering and verifying information about income, property and property-related obligations for certain categories of employees; (iii) increasing the accountability of the Company's senior executives for preventing corruption (incl. conflicts of interest), with relevant provisions to be incorporated in their employment contracts and (iv) making Company employees liable for failure to comply with corporate anti-fraud and anti-corruption requirements by incorporating relevant provisions in their job descriptions.

Training in anti-corruption and anti-fraud practices forms an integral part of a wider compliance training program.

The Company provided various in-class and distance training options in 2017, including Countering Corruption and Fraud, a distance training course attended by 10,832 employees.

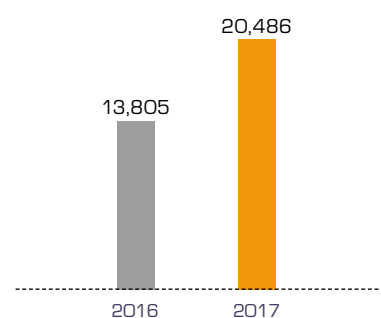
Security Hotline

Rosneft amended the existing procedure for verifying information communicated via the Security Hotline in order to improve its performance.

A total of 20,486 calls were made to the Security Hotline in 2017, up 48.4% since the previous year, helping to reveal or prevent incidents with an estimated combined loss of RUB 100 million. Following investigative procedures, employment contracts were terminated with 29 employees and disciplinary sanctions were imposed on 69 employees. In 18 cases, the investigation materials were provided to law enforcement agencies.

Security Hotline results were reported to the Board of Directors on a quarterly basis.

The number of calls made to the Security Hotline rose by 48.4% in 2017



Security Hotline results were reported to the Board of Directors on a quarterly basis

²⁷ Analyzing threats and sharing information about current threats, security breaches or hacker activity before the damage is done.

²⁸ Raising cybersecurity awareness among employees.



RISK MANAGEMENT AND INTERNAL CONTROL

Rosneft has a Risk Management and Internal Control System (RM&ICS) which is continuously improved in line with Russian law, the recommendations of the CBR Corporate Governance Code and international best practices.

RM&ICS's objectives are set out in the Company's Risk Management and Internal Control Policy, a document developed with input from international professional organizations specializing in risk management, internal control and internal audit. The RM&ICS is designed to provide reasonable assurance that the Company achieves its goals, including:

- Strategic goals contributing to the accomplishment of the Company's mission
- Operational goals relating to the Company's financial and business performance, and asset integrity

- Maintaining compliance with applicable laws and local regulations
- Preparing reliable financial and non-financial reports for internal and/or external users in a timely manner

Owing to ongoing improvements to its RM&ICS, the Company can promptly and adequately respond to changes in the external and internal environment, achieve better performance, and maintain and increase its shareholder value.

The Company decided to transition to a centralized RM&ICS model in 2017, with the Risk and Internal Control Department to act as a single point of contact for coordinating risk management and internal control processes.

RM&ICS development agenda is incorporated in the Long-Term Development Program (LTDP)

approved by Rosneft's Board of Directors. The Company also established a comprehensive plan, aligned with the LTDP, that details how the RM&ICS will evolve in the short and medium term. The plan sets key targets and objectives and outlines critical steps toward the achievement of the Company's strategic goals in the area of risk management and internal control.

As part of ongoing improvements to the RM&ICS in 2017, the Company:

- Compiled a consolidated risk and control register listing (i) the most common risks that may hinder progress towards the Company's strategic goals and long-term objectives, (ii) the most common risks arising from the Company's current financial and business operations, (iii) risk factors, business

RM&ICS owners



process risks, controls and their interdependencies

- Introduced guidelines for determining and applying risk appetite that were used to establish relevant metrics and targets for 2018
- Approved a standard set of competencies for risk management and internal control officers as part of a wider initiative to promote in-house expertise, with relevant positions in Rosneft business units and 24 Group entities filled by internal applicants
- Organized training in risk management and internal control for more than 180 employees of Rosneft and its subsidiaries
- Launched the trial versions of the Internal Control and Risk Management databases as part of the RM&ICS automation program

RISK MANAGEMENT

Risk management at Rosneft is governed by the Company's Risk Management and Internal Control Policy and the Standard for the Corporate-Wide Risk Management System (CWRMS). The CWRMS is a combination of interrelated elements that are embedded into various business processes of the Company and implemented at all management levels by all employees. The core elements of the CWRMS and risk management infrastructure are described in detail in the 2017 Annual Report.

In 2017 the Company set the risk appetite for the next year based on the following key principles:

- Financial and economic indicators
 - The Company does not assume the risk of its credit rating falling below the sovereign rating and makes



- » The Company's Risk Management and Internal Control Policy can be found at the corporate website: https://www.rosneft.com/upload/site2/document_file/P4-01_P-01_EN.pdf



sure it is in full compliance with existing debt covenants and pays all of its debts, both short-term and long-term, as they fall due.

- Corporate governance
 - The Company takes a zero-tolerance approach to corruption in all its forms and manifestations when conducting operating, investing or other activities.
 - The Company does not tolerate fraud in any form regardless of the size of resulting damage and makes every effort to prevent fraud from occurring in the course of its operations.
- Health, safety and environment
 - The Company understands the nature and scale of the impact that may be caused by its operations, products and services, and takes a responsible attitude to

stay accident-free, improve workplace safety and create a safe environment for communities living in the areas where it operates.

- As part of its commitment to prevent any potential adverse impact on the environment, the Company makes every effort to protect, preserve and restore natural resources.

Key risks inherent in the Company's business

Industry, country, financial and legal risks to which the Company is exposed are described in detail in Appendix 2 to the 2017 Annual Report. This section provides information about sustainability risks, including risks related to HR and social policy, industrial and occupational health and safety, and environmental protection.

Supply chain risks

The Company applies a multi-tier control approach to managing risks it faces when dealing with prospective suppliers and contractors.

- Tier 1: Accreditation procedures designed to determine whether the bidder meets the minimum criteria, including the standard "duty of care" principle and anti-corruption and anti-fraud requirements.
- Tier 2: Qualification procedures involving supplier evaluation by product type in order to determine whether the supplier has requisite experience, capabilities and resources to provide high-quality and timely service under the contract. Along with qualification requirements (experience, availability of product permits/licenses/

certificates required under Russian law, etc.), the Company imposes special requirements for personal and process safety.

All contractors must sign a term sheet describing HSE requirements (which are also applicable to lessees), with such term sheet forming an integral part of agreements between the Company and its contractors.

In an effort to adopt a category management approach to inventory, products and services, the Company develops optimal procurement strategies to meet its needs for critical resources and seeks to establish long-lasting relations with key suppliers. The optimal procurement strategy is based on an analysis of demand for a given item and its availability on the market. When adopted, the category management approach will help to secure sustainable supplies, augment category expertise and achieve more cost-effective procurement.

Health, safety and environment risks

The Company is exposed to health, safety and environment risks resulting from:

- Accidents, incidents, fires, or other emergency situations involving damage to the Company's active production facilities and equipment or deviation from process specifications
- Harm to the health of employees, contractors, visitors or local population
- Adverse impact on the environment from operations
- Penalty sanctions, suspension of operations, damage to business reputation or loss of trust on the part of stakeholders due to failure to comply with applicable HSE regulations.

Rosneft has a dedicated HSE management system, which brings together resources and procedures essential to both prevent, and respond to, hazardous occurrences. Sound principles and a structured approach applied throughout an asset's life cycle are set to ensure the effective management of HSE risks that is compliant with applicable requirements for process and operational safety and draws on advanced technologies.



HR and social risks

Highly qualified and motivated people are at the heart of running a successful business. Employee motivation and competencies are becoming increasingly important to the financial performance of each business unit and the Company as a whole as it expands its global footprint and operations in challenging environments, including offshore. Based on the assessment of HR and social risks, the Company identifies risks relating to social obligations and talent shortage in certain specialist areas. Rosneft manages these risks through a variety of measures, as set down in its HR and social strategy, designed to recruit and retain highly qualified personnel, and develops and improves the existing policies and procedures covering HR management, social development, and corporate culture.

INTERNAL CONTROL

The internal control system forms an integral part of the RM&ICS and is aligned with its goals. It is governed by the Company's Risk Management and Internal Control Policy, the Internal Control Standard, and Regulation on Designing, Implementing and Maintaining the Internal Control System. The Company acts on these policies to establish and improve internal controls that are designed to drive better management and efficiency across business processes, increased reliability of financial statements and management reports, and compliance with applicable laws and internal regulations.

Key objectives aimed at building a robust internal control system include:

- Identifying key areas for internal control improvement taking into account the



Company's needs and stakeholder expectations, and keeping them current

- Designing, implementing and maintaining internal controls:
 - Planning annual procedures to design, implement and maintain internal controls
 - Conducting internal control health checks (evaluating business process risks and mitigating controls, identifying control deficiencies and establishing remediation plans)
 - Designing and introducing standard risk and control matrices
 - Tracking progress of remediation actions
- Putting together an internal control methodology and ensuring its consistent application
- Facilitating communication between internal control owners including via IT tools
- Providing internal control training

As part of its 2017 internal control program, the Company:

- Completed a set of procedures to plan, design, implement and maintain internal controls (incl. the classification of business process risks and mitigating controls) using an approved map of high-level business processes that served as a basis for allocating roles and responsibilities between top managers (process owners)
- Compiled a consolidated Risk and Control Register highlighting links between business process risks and risks inherent in current financing and operating activities, and ranked business processes by their impact on these risks.

Corporate insurance

The Company uses a number of mechanisms to transfer the risk of potential financial

losses to insurers. The following insurance coverage is provided as part of the corporate insurance program:

- Comprehensive commercial property insurance, equipment breakdown insurance and business disruption insurance
- Comprehensive liability insurance (CLI)
- All-risk insurance against construction and assembly risks, complete with civil liability coverage
- Energy exploration and development insurance covering well construction, rehabilitation and repair costs
- Protection for claims brought against directors, officers and senior employees (Corporate Guard D&O Liability Insurance)
- Motor vehicle insurance of road transport (incl. trucks and specialty vehicles), air transport and maritime transport

The Company also arranges for all mandatory insurance coverage required by federal law. Pursuant to Rosneft's Corporate Insurance Standard, risks are placed with solvent carriers and are subsequently ceded to international reinsurance companies rated 'A-' or higher. The Company is regularly inspected by independent risk engineers and underwriters from international insurance companies to make sure it takes recommended actions to reduce or eliminate hazards that could cause accidents.



A-

CREDIT RATING OF INSURERS,

with whom the Company places risks pursuant to its Corporate Insurance Standard





STAKEHOLDER ENGAGEMENT

According to the corporate Policy on Regional Development and Cooperation with Constituent Entities of the Russian Federation, Rosneft's stakeholders include its partners and counterparties, international and national business associations, non-profit and non-governmental organizations, educational institutions, as well as Company employees, the general public, and other persons that are interested in cooperating with the Company or rely, to any extent, on its operations in the regions where it has a presence.



» The Company's Sustainable Development Policy can be found at the Company's website: https://www.rosneft.com/upload/site2/document_file/development_policy_eng.pdf

Rosneft uses various ways to engage with its stakeholders and in doing so it always shows respect for their interests, maintains ongoing contacts, and promptly provides them with information on key developments in its business. The mechanisms of engaging with the key groups of the Company's stakeholders, such as employees and investors, are described in detail in the following chapters of this Report. The most important of them are public consultations on the environmental footprint of upcoming activities, and roundtables that the Company holds regularly in its host regions to share opinions and maintain partner relationships with local stakeholders and government authorities.



PUBLIC CONSULTATIONS

In accordance with a statutory procedure, the Company organizes and holds public hearings to discuss the findings of environmental impact assessments for its planned operations.

A total of 127 public awareness campaigns of various types were launched in 2017 across Russia, including Yamalo-Nenets Autonomous District, Primorsky, Krasnodar, Khabarovsk and Krasnoyarsk Territories, Irkutsk, Tyumen, Arkhangelsk, Murmansk, Sakhalin, Orenburg and Samara Regions, Khanty-Mansi Autonomous District, Nenets Autonomous District, the Republic of Sakha (Yakutia),

Chukotka Autonomous District, the Republic of Ingushetia, and the Republic of Komi.

Over 50 public consultations in the form of public hearings and surveys were organized to discuss geological and geophysical programs and exploration drilling activities planned in the Company's license areas in the Arctic, the Black Sea, the Azov Sea and in the Far Eastern seas. In each case, the public opinion was recorded in the minutes and taken into account when finalizing project documentation.

ROUNDTABLES

Since 2007, Rosneft has been holding annual roundtable discussions in each key region where it has a presence. The Company meets with various stakeholder groups, including partners, clients, public organizations, educational institutions, mass media, and federal and regional government authorities.

These initiatives allow Rosneft not only to report on its activities for the previous year but to have a candid and open discussion of specific cooperation opportunities with stakeholders.

2017 was the eleventh year that the Company has hosted these events, with 15 roundtable meetings organized in Angarsk (Irkutsk Region), Baykit and Igarka (Krasnoyarsk Territory), Gubkinskiy (Yamalo-Nenets Autonomous District), Izhevsk (Udmurt Republic), Komsomolsk-on-Amur (Khabarovsk Territory), Krasnodar (Krasnodar Territory), Nefteyugansk (Khanty-Mansi Autonomous District), Orenburg (Orenburg Region), Ryazan (Ryazan Region), Samara (Samara

Region), Saratov (Saratov Region), Usinsk (the Republic of Komi), and Yuzhno-Sakhalinsk (Sakhalin Region).

Key topics of roundtable discussions

Meetings with stakeholders dealt with various topics that can be arranged into the following major groups.

Development priorities of Group entities

As a major employer and taxpayer Rosneft understands that the social and economic development of regions where it has a presence depends largely on its business. For this reason, the future activities of Group entities have historically been a dominant theme at roundtable meetings with local stakeholders.

Stakeholders in Usinsk asked questions about the Company's operating plans and its intentions to bring new fields on stream. The roundtable discussion in Nefteyugansk focused on reserves additions, restrictions on exploration activities, and the latest innovations and how they emerge in the Company. At the roundtable in Krasnodar, participants were keen to learn about the Company's plans to expand its retail network, especially into remote locations, while in Saratov the discussion was about the launch of a hydrocracking project and its prospects.



127

PUBLIC AWARENESS CAMPAIGNS

launched in 2017



15

ROUNDTABLE DISCUSSIONS

held in host regions in 2017



Health, safety and environment

Among matters that top the agenda of roundtable discussions are steps to minimize adverse impact on the environment, including the prevention of oil and petroleum product spills, emission control, APG utilization, waste recycling, cleaning up past damage, land reclamation, tree planting, etc.

Stakeholders in Nefteyugansk were pleased to note that the environmental performance results reported by the Company match the records of oversight bodies. The participants acknowledged significant efforts made by the Company in restoring disturbed land and reducing pollution. In Krasnodar, discussion was also held regarding the progress achieved by the Company in cleaning up past environmental damage and restoring disturbed land. The participants discussed the commissioning of a waste recycling facility and asked the Company about its plans to replace pipelines.

During the roundtable discussion in Igarka, special mention was made about a concerted effort to restore the site after exploration drilling and remove waste and scrap metal. In Samara, the participants spoke about the Company's valuable input into the tree planting campaign and its successful efforts to upgrade refining capacity and renovate and improve the pipeline network.

At the meeting in Izhevsk, the participants were pleased to note that the Company's integrated HSE system had successfully passed an external audit without any negative findings. In Komsomolsk-on-Amur, the Company reported on results of ambient air quality monitoring, purchases of non-destructive test equipment, and the operation of a mobile environmental laboratory.



Roundtable in Krasnodar, Krasnodar Territory

In Saratov, Rosneft was praised for excellent performance during regional fire training exercises hosted by the Russian Ministry for Emergency Situations. The Company reported on progress in decommissioning the underground storage tank and renovating treatment facilities. The latter topic was also discussed with stakeholders in Ryazan alongside progress on measures to improve energy efficiency at the local refinery.

At the meeting in Usinsk, the oversight authorities praised the Company as it registered a zero-accident rate and no cases of petroleum-product contamination in 2017, and appreciated its efforts in responding rapidly to changes in environmental law.

Contribution to the development of regional economy and infrastructure

Rosneft is strongly committed to supporting its host regions, as evident by discussions with stakeholders. The Company uses social and economic partnership schemes to provide funds required for the development of local territories. Recent roundtable discussions covered a broad range of topics, including integrated plans of sustainable development, the use of local

contractors, the condition of infrastructure assets, etc.

The Company's current road construction projects and future plans to sponsor local infrastructure were brought up at several meetings, including those held in Orenburg, Baykit and Igarka. Separate mention in Nefteyugansk was made about a project to repair the bridge, which is viewed as an important local initiative; there were also suggestions to reduce the size of sanitary protection zones within municipal boundaries and abolish them altogether in the areas where oil facilities were decommissioned.

One of the issues under discussion in Angarsk was how best to frame a tariff regime for construction companies, taking into account the region's zoning pattern, and how to maximize the use of rail infrastructure pending the delivery of liquid bulk cargo. At the roundtable in Igarka it was noted that during the summer season reindeer herders were able to get temporary employment with Rosneft contractors.

Social responsibility and charity

Roundtable participants acknowledged Rosneft's role

as an active contributor to building a more sustainable local community by helping indigenous peoples, organizing sports and fun events, and undertaking a wide range of charity projects and socially responsible activities.

As in previous years, the roundtable discussion in Baykit was centered on the Company's landmark projects for indigenous small-numbered peoples of the North. The participants discussed the results of earlier projects (Evenki Reindeer, Bread for People of the North, Siberian Sable, and Young Reindeer Herder School) and a new project called Evenki Geese.

local clinic, street landscaping projects and support for charities were much appreciated by the local community.

In Saratov, the Company reported on its initiatives aimed at providing additional protection to vulnerable groups, voluntary health insurance and life insurance programs, cultural, recreational and sports activities, and the Live Longer program. The Usinsk community expressed gratitude to the Company for helping to fix the water main breaks and restore heat supply to the Parma settlement.

At the roundtable in Nefeyugansk, the local authorities thanked the Company for

guidance and expanding university capabilities. Stakeholders highlight the Company's greater involvement with secondary education institutions and the growing role of Rosneft Classes.

The roundtable participants in Gubkinskiy pointed to the successful vocational training program Oil and Gas Field Development that was launched using the Company's funds. In Orenburg, the panelists spoke about successful cases of partnership with Gubkin Russian State University of Oil and Gas, including collaborative efforts in building the university's educational capabilities and physical infrastructure.

At the roundtable in Izhevsk, the participants thanked the Company for its efforts to expand cooperation with Udmurt State University, arrange internship programs for students, and organize a regional workshop for young professionals. Discussions in Samara were focused on the agreement between the Company and Samara State Technical University, and on joint activities to improve oil treatment facilities.

The panelists at the roundtable in Saratov discussed progress toward the creation of a training base, and also pointed to successful internship programs organized by the Company for the academic staff of core universities and vocational training schools.

In Angarsk, the Company was thanked for its sponsorship in purchasing educational equipment and for inviting local universities to bid for its R&D contracts. At the roundtable meeting in Nefteyugansk, the panelists from Yugra State University said that cooperation with the Company helps to improve talent training quality and allows graduates to develop valuable competencies, such as creative, systemic and algorithmic thinking.



Roundtable in Izhevsk, Udmurt Republic

Stakeholders in Gubkinskiy thanked the Company for becoming patron of the Kharampur national village that will mark its 85th anniversary in 2018, and for its unwavering commitment to helping families with disabled children. Another signature event for Gubkinskiy was the transfer of the Neftyanik community center to municipal ownership. A project to renovate the community center in Angarsk contributed to the Company's image as a socially responsible business, while its purchases of expensive high-tech equipment for the

completing a number of socially significant construction projects in Khanty-Mansi Autonomous District.

Education

Engagement with universities to enable seamless transition from university to the workplace remains a key topic for discussion at roundtable meetings. This covers a broad range of areas from determining current needs for university graduates through to collaborative effort in organizing the educational process, providing vocational



INNOVATION AND TECHNOLOGY ADVANCEMENTS

INNOVATION PROGRAM

Rosneft drives innovation to become a technology leader in the global energy industry in line with its strategic goals. The results of the Company's Innovation Program show that Rosneft advances confidently in the direction of this ambition. Currently, Rosneft implements a number of dedicated innovation projects, which involve advanced research, the deployment of new technologies and the upgrade of existing production processes and facilities.

In accordance with the decision of the Shareholders' Meeting in 2017, Rosneft adopted a new growth strategy – Rosneft-2022. The strategy outlines the following key objectives:

- Growth in hydrocarbon production supported by best-in-class technologies

and large-scale digital transformation programs

- Technology-enabled access to new deposits and markets to achieve a reserve replacement rate of no less than 100% for liquid hydrocarbons, including higher speeds to start production, subject to the economic viability of such new projects
- Adding business value with a technology breakthrough
- Technological independence and safety

Key actions to achieve the strategic objectives include:

- Developing high performance technologies to tap into new types of deposits and regions
- Developing new products and processes in oil refining and petrochemicals production, including new catalysts
- Introducing smart production processes, digital technologies and innovative software solutions

49.2

RUB BILLION

in investment in Rosneft's Innovation Program in 2017

INCLUDING

29.9

RUB BILLION

in R&D investment

- Developing innovative equipment and materials to address current and future challenges

Rosneft's spending under its Innovation Program totaled RUB 49.2 billion in 2017, with RUB 29.9 billion going toward R&D activities.

Rosneft continued in 2017 to place a particular focus on the implementation of R&D results and the protection of intellectual property rights. The Company filed 49 applications for patents and software rights, and obtained 52 patents in 2017, with the total number of patents reaching 604. Under a pilot-testing program, Rosneft continued to test, adapt and implement advanced technologies, defining the key features of new solutions and studying the technical, economic and operational feasibility of their deployment in the Company's geological and technical conditions. Rosneft spent RUB 3,156 million on testing new technologies and another RUB 24,377 million on implementing and rolling out solutions tested successfully in previous years.

Technology testing and deployment in 2017

The Company undertakes projects in various areas, including oil and gas exploration and production, oil refining and petrochemicals. In 2017, Rosneft also

implemented a number of key projects, including the following:

Exploration and production

- Building and starting after successful tests a preliminary water discharge system at the Barsukovskoye field operated by RN-Purneftegaz
- Developing a framework for formation studies and tests at the Berezovskaya suite. Developing a regional conceptual framework, including lithofacies analysis, and a schematic map for the generation potential of the Upper Cretaceous of Western Siberia
- Developing, adjusting and testing a slick water hydraulic fracturing technology for low permeable reservoirs at the Cherkashinskaya and Bazhenovskaya suites, based on a solution used for tight oil deposits in the US and Canada
- Developing and introducing techniques for identifying stagnant areas with little water movement in low permeable reservoirs, and enhancing recovery through infill drilling
- Starting a project to improve an integrated approach to modeling and monitoring exploration activities at tight deposits such as the Kamenny license block of the Krasnoleninskoye field
- Preparing a polymer flooding plan for a pilot project at the Russkoye field operated



AS OF YEAR-END 2017,
ROSNEFT OWNED

604

PATENTS

	NUMBER OF TECHNOLOGIES	TOTAL OIL PRODUCTION GAINS, THOUSAND TONNES	TOTAL ECONOMIC EFFECT, RUB MILLION
Technology testing	175	177	1,350
Technology deployment	103	1 091	8 331



by Tyumenneftegaz.

Running core flow testing

- Starting a R&D project to develop a SAGD three-reservoir model technology for the exploration of oil with extremely high viscosity to be tested at the Karabikulovskoye field operated by Samaraneftegaz
- Developing a software solution for detecting fractured-cavernous reservoirs by scattered waves extracted from seismic data for Gaussian beam monitoring systems
- Completing pilot tests on a unique Russian-developed electromagnetic probing solution for high-resolution well logging to investigate formations with a high number of beds and anisotropic rock properties. Developing and building an in-field calibration tool and a solution for the processing and interpretation of electromagnetic probing data, and refining design and engineering documentation
- Developing and testing corporate IT infrastructure modules for hydrodynamic modeling of formations
- Completing work on the development of a software solution for ranking hard-to-recover reserves to support oil engineering processes, which was subsequently tested by Tyumen Oil Research Center and RN-UfaNIPneft
- Completing work on the development of a hydraulic fracturing simulation tool for corporate applications, which is currently deployed on a trial basis across Rosneft's subsidiaries

APG monetization

- Developing the chemical composition of a catalyst and its synthesis process to produce synthetic, isoalkane-rich hydrocarbons,

along with a process to produce synthetic crude oil from catalytic conversion

- Completing work on draft technical specifications for synthetic crude oil and synthetic, isoalkane-rich crude oil suitable for transportation via trunk pipelines and refining.

Oil refining and petrochemicals

- Running successful trials on pilot batches of isodewaxing and hydrofinishing catalysts to produce winter and Arctic diesel fuels, which showed a high catalytic activity and product yields of more than 95% by weight
- Completing work on input data for designing a process to produce highly dearomatized white oils based on modern catalytic hydrotreating processes, and waxy base for Arctic lubricants, including hydraulic lubricants, motor oils and grease
- Developing an experimental technology for the production of fire-resistant oil for the lubrication and maintenance of turbine generators in Russia's nuclear power industry to use instead of oil based on extremely toxic phosphorus oxychloride. Laboratory-scale samples of the new product are similar in properties to new generation fire-resistant oils produced by international companies
- Developing the chemical composition of a catalyst and its synthesis process to produce PAOs – synthetic base oils with a high viscosity index for applications such as transmission oils and highly loaded units and mechanisms
- Developing an experimental technique for the hydrogenation of acetone to isopropanol, a simple and widely used process

enabling phenol and acetone producers to diversify into higher margin products and increase profits

- Developing technical specifications and programs to test synthetic oils for applications in the space industry. The tests showed that esters, PAOs and synthesized monocyclic cycloalkanes can be successfully used as synthetic oil base for the space industry.
- Developing a compound of additives for all-season energy efficient hydraulic oils to substitute for imports currently used by the Company and give it a competitive edge as a producer of energy efficient hydraulic oils for industrial equipment and vehicles
- Running successful tests on a multi-functional additive for commercial gasoline produced by Syzran Oil Refinery to study its performance



Polymer

- Developing an experimental technique to produce ultra-lightweight PDCPD-based resin-coated proppants adapted for manufacturing purposes
- Scaling the experimental process, developing a technology for the production

of ultra-lightweight PDCPD-based resin-coated proppants and adjusting the process to generate precursors for resin-coated proppants, including the polymerization stage relying on the pre-generation of monodispersed monomers. This method enables a higher generation of spherical

POLYMER-MODIFIED BITUMEN APPLICATION IN THE CONSTRUCTION OF THE M-4 DON HIGHWAY

In line with the Russian Government's roadmap to promote innovative technologies and materials, RN-Bitum²⁹ supplied polymer-modified binder based on selected properties for the experimental construction of an M-4 Don section in Krasnodar Territory. Work

is also underway to build test sites in different climatic zones under a cooperation agreement between Rosneft and State Company Avtodor. Mapping climate zones is a difficult process as a range of road operating conditions should be taken into account, including the local climate, traffic loads, intensity and patterns. According to tests run by an independent research center, polymer-modified bitumen made by RN-Bitum conforms to the highest standards, enabling a better performance of asphalt concrete. RN-Bitum and State Company Avtodor are monitoring the performance of the experimental sections at the M-4 Don highway in partnership with independent research centers.



²⁹ Rosneft's subsidiary



PDCPD beads of desired cut at the polymerization stage (an increase of up to 76%)

For details about Rosneft's activities in the Arctic, see the section Offshore Projects.

Innovation management system certification

In 2017, Rosneft successfully passed a compliance audit of its innovation management system certified according to the GOST R 56273.1-2014.

The Russian standard is identical to the CEN/TS 16555-1:2013 standard (Innovation Management. Part 1. Innovation Management System), outlining requirements for innovation management

systems. Rosneft has become the first Russian company to pass the certification audit of its innovation management system, reaffirming its commitment to become a technology leader in the industry.

As part of its focus on improving innovation management, Rosneft updated and adopted the following internal regulations in 2017:

- The Company's Innovation Policy outlining corporate principles and approaches to innovations
- The Company's Innovation Classification Principles that lay down criteria for designating Rosneft's services and goods as innovations or R&D projects, including for the procurement of innovative or high-tech products.

CORPORATE RESEARCH AND DESIGN COMPLEX

The Corporate Research and Design Complex is Rosneft's core platform for making R&D and engineering decisions across the Company's areas of operations. This Complex is responsible for all kinds of innovations, from exploration activities to the delivery of end-products in the petrochemicals and oil and gas processing industries, supporting the Company's operations across Russia and abroad. Today the Complex combines 27 corporate R&D and design institutions run by Rosneft that employ over 12,000 skilled workers, with 5% of them holding one PhD degree or more.

CENTRALIZED MANAGEMENT OF R&D AND DESIGN INSTITUTIONS

FOCUS AREAS OF LEAD INSTITUTIONS:

Research in Exploration and Production	Engineering in Exploration and Production	Research in Refining and Petrochemical Processes	Engineering in Refining and Petrochemical Processes
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30 SPECIALIST INSTITUTIONS

Leading institutes

In 2017, Rosneft introduced centralized management for its R&D and design institutions and designated four lead institutions with the following focus areas.

This structure of R&D and design institutions, which vary in the type of core activity, the number of employees, competencies, IT capabilities, other infrastructure and the number of subsidiary organizations, enables:

- Synergies from the mobility of intellectual capital and capabilities
- The right environment to provide consistent methodological support for the activities of all R&D and design institutions
- Consistent approaches to implementing technical policies, providing training and fostering a shared information environment

27

CORPORATE R&D AND DESIGN INSTITUTIONS

UNITED BY THE CORPORATE RESEARCH AND DESIGN COMPLEX



> 12,000

SKILLED WORKERS

employed by the Corporate Research and Design Complex

- Better quality and shorter design times

Monitoring and enhancing R&D activities is a key priority for lead institutions that help the Company achieve better performance and move forward in line with the Rosneft-2022 strategy. The lead institutions play a crucial role in enabling quicker,

more informed and effective engineering decisions, balancing workloads across R&D and design institutions, driving research in existing and new fields, promoting digital transformation, expanding R&D capabilities and providing methodological support for the Group's companies.

R&D LEADERSHIP COMPETITION

Rosneft held its R&D Leadership Competition in Moscow in April 2017 to recognize the most talented researchers, managers and project teams in its R&D institutions.

For the first time in its history, the competition was held in an in-person format, providing a platform for the exchange of professional experience and knowledge. The 27 institutions nominated more than 50 projects for participation in the competition, with half of them making it into the final. A jury composed of the Company's line managers selected winners in eight categories.





Specialized institutes

Specialized institutes act as centers of excellence within their area of focus. They are primarily responsible for:

- Providing methodological and advisory support for Group entities regarding matters within their scope
- Monitoring technology advances in their focus area
- Identifying, developing, testing and implementing new technologies
- Developing, implementing and disseminating regulations, guidelines and methodological materials
- Maintaining databases, including databases on design concepts, completed projects and deliverables

One of such institutes currently continues work to develop and deploy a system of standard design solutions to support Rosneft's operations. The key highlights of this work in 2017 included:

- Increased usage of standard design solutions under surface infrastructure development projects for oil and gas fields (up to 50%)
- Development and practical evaluation of standard

procurement documents for 102 categories of goods to improve the procurement process in the long run and reduce the number of goods procured by the Company

- Adoption of 14 internal regulations of the Company outlining design rules and mechanisms for the selection of the best design solutions

In 2017, the institute developed and deployed tools to make the system of standard design solutions more sustainable and efficient, including mechanisms and incentives to encourage the use of standard design solutions where possible, automation solutions for standard designing processes, a dedicated website to create a shared information environment and training in how to use the system. Thanks to the use of standard design solutions, the Company expects to save around RUB 50 billion in capital expenditures in 2018-22, the period covered by the Rosneft-2022 strategy.

In 2017, Rosneft continued to participate in working groups formed under the Federal Agency for Technical Regulation and Metrology (Rosstandart) to develop standards. One of its

specialized institutes focusing on industry standards teamed up with Rosstandart's Technical Committee on Oil Fuels and Lubricants to develop and update 24 standards for oil and oil products. Rosneft experts performed an assessment of more than 80 standards and regulations that have relevance to the Company's operations.

Technology Council

In line with its strategic priorities, Rosneft also made the first steps in 2017 to establish its Technology Council. The Technology Council will be responsible for handling matters related to the development and implementation monitoring of technology strategies across the Company's activities, driving its innovation growth through partnership and cooperation with external stakeholders engaged in innovations, and introducing new IT solutions. The key objective of this standing advisory council will be improving the quality of innovations and technology advances. The Technology Council will feature representatives of companies that are leading the pack in innovative technologies, top Russian universities and development institutions.

International R&D cooperation

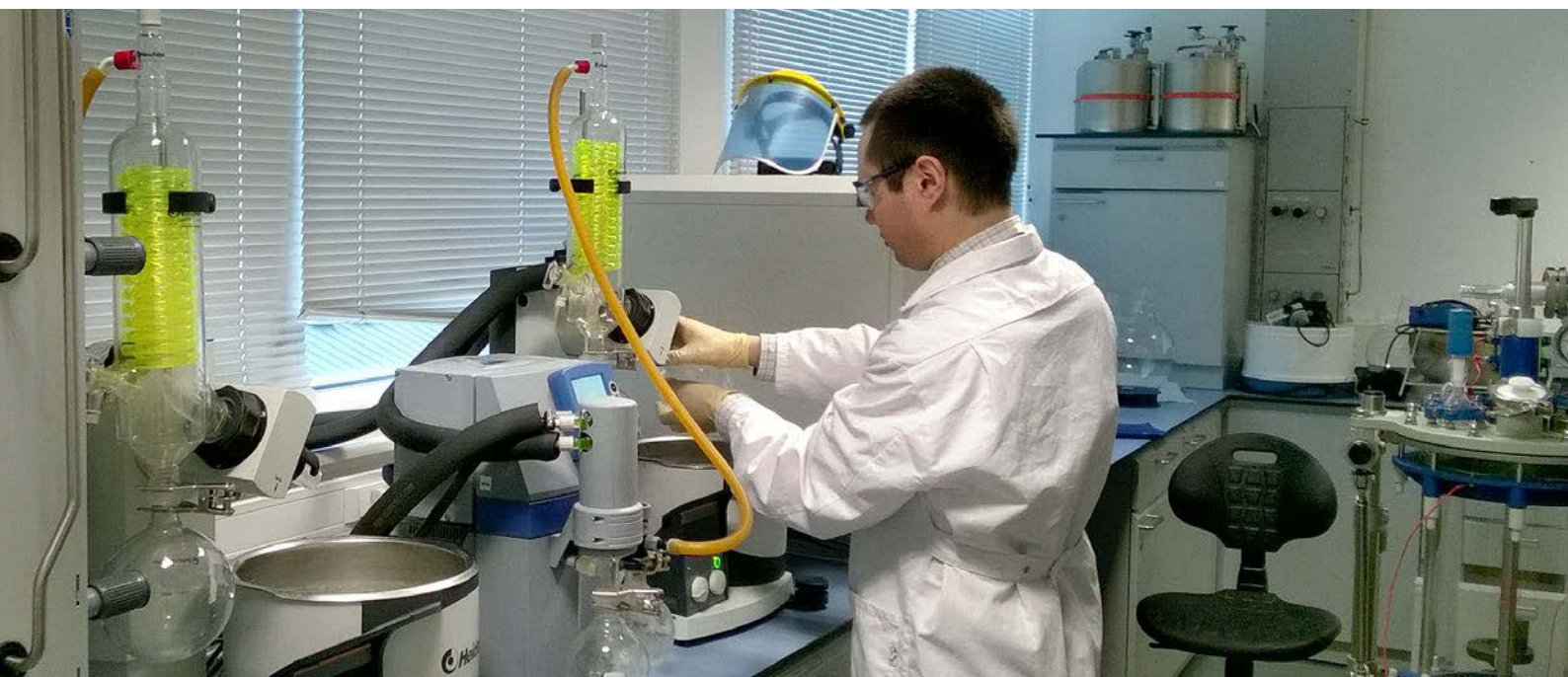
The Corporate Research and Design Complex cooperates closely with global engineering companies. Currently, it has engineering and technology partnership arrangements with General Electric (Sapphire Engineering and Training Center), Fluor (Sakhalin Oil and Gas Technologies), SNC-Lavalin (VNIPIneft) and ExxonMobil (Arctic Scientific Center).

In particular, Sapphire Engineering and Training Center has been established to enable Rosneft's projects relying on a wide range of General Electric's products and technologies, from concept selection to support and monitoring at the project design and execution stages, to ensure safety, efficiency and reliability. One of the priority projects focuses on the development of a 7.5 MW azimuth thruster for multi-purpose, reinforced ice-class supply vessels to be built at the Zvezda shipyard. In 2017, work was completed to draw up a design solution, obtain approval for it from the Russian Maritime Register of Shipping and start

the production of thruster elements for the first vessels.

Two new agreements on strategic partnership were signed in 2017, including:

- An agreement with SNC-Lavalin on the sidelines of the 21st St. Petersburg International Economic Forum to establish a high-tech engineering center as a joint venture. The center's focus will be on engineering and project management. It will have world-class capabilities to run capital construction projects in the refining and petrochemicals industries, which will drive the development of Rosneft's Corporate Research and Design Complex
- An agreement on strategic cooperation with Saipem SpA on the sidelines of the 10th Eurasian Economic Forum in Verona. The agreement provides for closer cooperation in many areas, including oilfield services, the localization of design and engineering work in Russia, the development of new technologies and the establishment of a joint engineering center.





PARTNERSHIP WITH UNIVERSITIES AND INNOVATION CENTERS

To deliver on the objectives of its Innovation Program in 2017, Rosneft pursued a number of initiatives as part of its cooperation with universities and research organizations.

Cooperation with Far Eastern Federal University focused on the following areas:

- Developing functional and technical requirements and project documentation for an IT system to perform an economic and technical assessment of offshore development activities as part of a dedicated innovation project
- Drilling in a fast ice zone to evaluate the offshore permafrost conditions of the Khatanga license block under an innovation project focusing on the creation of a database of environmental and seabed soil parameters on Rosneft's

offshore license blocks in the Arctic and the Far East

- Under a R&D initiative to design solutions for a longer drilling season on mobile offshore drilling platforms under ice conditions, Rosneft accomplished in 2017 the following:
 - Development of a testing program for floating and jack-up rigs in the ice basin
 - Development of ice protection solutions for the riser of jack-up rigs
 - Assessment of impacts that proposed solutions can have on the duration of the drilling season

As part of cooperation with Moscow State University and the National Intellectual Development Foundation, 21 R&D projects were selected for implementation in 2013- 19 on commission from Rosneft. The first six projects have been completed, with the relevant deliverables to be put into practice at Rosneft. Twelve projects focusing on

the Company's priority areas are underway. Three projects more are planned or 2017- 19.

Work continued to develop job competencies under an innovation project aimed at introducing competency-based performance evaluation and professional development programs across all business segments in collaboration with Gubkin Russian State University of Oil and Gas, Tomsk Polytechnic University and leading advisory firms in Russia.

The Company also cooperated in R&D with Siberian Federal University's Oil and Gas Institute, Samara State Technical University, Tyumen State University and Tyumen Industrial University.

To enhance interactions with the innovation community and empower efforts to develop an innovation transfer framework, the Company joined the National Technology Transfer Association. The association

unites leading Russian universities, R&D centers, manufacturers, venture capital funds, development institutions, technology brokers and other providers of infrastructure services to support R&D and innovation projects.

307 suggestions as sound and implementing 197 to improve operations. Inventors received monetary rewards. In addition, Rosneft employees submitted 4,215 ideas for improvements, with 611 of them put into action.

Efficiency improvements

Rosneft pursues efficiency improvement projects and inventive activities in accordance with its in-house standards. Rosneft received 1,354 improvement suggestions in 2017, recognizing

The economic effect from such improvements in 2017 is estimated at RUB 3.7 billion.

DEVELOPMENT OF A MEMBRANE FOR A BIOREMEDIATION PRODUCT CAPABLE OF OIL DEGRADATION AT LOW TEMPERATURES



As part of an Innopraktika-sponsored project run jointly with Rosneft, Moscow State University researchers set to work in 2017 to develop a membrane for a microbial formulation that can be applied at low temperatures to remove oil and oil products from soils, seawater, shorelines, vessels and platforms. The project began in 2014, with the team successfully identifying more than 100 psychrophilic oil-degrading bacteria strains during the period. They developed a methodology for a stepwise selection of bacteria that are best at degrading petroleum hydrocarbons. This methodology helped select the best performing strains which were patented and added to the All-Russian Collection of Industrial Microorganisms.

1,354

IMPROVEMENT SUGGESTIONS

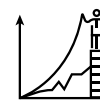
received by Rosneft in 2017

197

IMPROVEMENT SUGGESTIONS

AND **611**

IDEAS PROPOSED BY EMPLOYEES FOR IMPROVEMENTS PUT INTO ACTION



3.7

RUB BILLION

in economic effect from improvement suggestions



HEALTH, SAFETY AND ENVIRONMENT

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

HSE policies and strategies

As Russia's top oil and gas producer and a global industry leader, Rosneft understands the scale and nature of the impact that may be caused by its operations and takes a responsible attitude to stay accident free, improve workplace safety and minimize its environmental footprint.

The Company's mandate is to ensure a safe environment for its workers, partners and communities in regions where it operates. To deliver on its commitment, Rosneft is focused on improving processes, increasing the reliability of equipment to ensure its safety and zero accidents and implementing new technologies.

As part of its integrated HSE system, Rosneft has committed to the following:

- Prioritizing the safety and health of people over productivity
- Prioritizing emergency prevention apart from detection and management programs
- Improving the sustainability of operations by protecting and restoring natural resources, including through land reclamation programs
- Minimizing a negative impact on the environment from operations
- Conserving ecosystems and biodiversity, especially during offshore activities at environmentally sensitive areas

Adhering to the Company's top standards in occupational safety, health and environment, including fire safety, is the responsibility of all employees

and an important focus in relationships with stakeholders, including contractors.

The Rosneft-2022 strategy adopted by the Board of Directors in December 2017 outlines the Company's mission, target indicators and priorities for the HSE agenda.

The key strategic objective is to receive top marks in global rankings for accident-free operations, create a safe environment for workers and communities living in areas where the Company operates and minimize a negative environmental impact.

By 2022, Rosneft is determined to make it into the upper quartile of global oil and gas companies in HSE performance as measured by indicators such as LTIF, LWIF, Tier 1 PSER and greenhouse gas emissions.

The integrated HSE system is centered around the following six elements:

ELEMENT	DELIVERABLES
<p>Leadership and safety culture</p>	<p>Managers at all levels lead by example to foster an ethical culture and leadership in HSE in line with the Company's priorities.</p> <p>Rosneft cooperates with contractors based on clear expectations, with managers interfering only when contractors fail to meet them.</p>
<p>Competencies</p>	<p>There is a robust management framework for HSE talent and competencies, which the Company tries to embed in every activity it does.</p> <p>HSE knowledge and achievements are highly appreciated across the Company, which reaps benefits from their good management.</p>
<p>Safety management system</p>	<p>Clear requirements for occupational safety are in place, prioritized and easily accessible for all employees. Employees know well how to comply with safety rules and what they are personally responsible for.</p> <p>Transparent reporting and accident investigations help identify the root causes and drive a continuous improvement culture in management.</p>
<p>Monitoring</p>	<p>There is a monitoring system to track compliance with the Company's standards and ensure that corrective action is taken where necessary depending on priority.</p>
<p>Risk management and integrity</p>	<p>Rosneft has underlying principles in place to ensure technical integrity and reduce the number of accidents and incidents.</p> <p>HSE risk management enables better long-term decisions and is embedded in the day-to-day activities of employees to reduce the number of injuries.</p>
<p>Reporting and performance measurement</p>	<p>The Company systematically compares its HSE performance against competitors' to align strategies and action plans toward achieving HSE goals.</p> <p>Automation tools empower data collection, reporting and review processes.</p>



To improve its sustainability performance as desired, Rosneft has tied incentives for top managers to sustainability targets to encourage leader sponsorship and top-down approaches.

HSE Committee

In an effort to improve its HSE performance, Rosneft established

in 2017 an HSE Committee which is made up of functional and business unit leaders. The Committee provides a platform for handling HSE matters at the highest corporate level, prioritizing occupational and environmental safety issues for reporting to top managers and giving assurance regarding HSE risk management through its sustained focus on improving related practices.

It is in charge of reviewing follow-up reports on stressful events and annual HSE performance reports that contain current and historical data on injuries, traffic incidents and fires expressed in absolute and relative values by business unit.

INTEGRATED HSE SYSTEM

The Company maintains an integrated HSE system certified in 2006 according to the ISO 14001:2004 environmental management standard and the OHSAS 18001:2007 professional health and safety standard. In 2017, the Company successfully passed an annual compliance audit for the system whose implementation, maintenance and improvement was recognized by the auditors as efficient and effective. As a result of the audit, two more subsidiaries of Rosneft – Samotlorneftegaz and RN-Lubricants – obtained conformance certificates. A total of 53 Group entities passed the certification process.

OHSAS 18001
Occupational Health and Safety Management System



РОСНЕФТЬ

ISO 14001
Environmental Management System

OCCUPATIONAL HEALTH AND SAFETY



KEY OHS INITIATIVES IN 2017

As part of its commitment to improving occupational safety and achieving zero accidents, Rosneft runs various OHS programs, cooperates with stakeholders in an increasing number of areas, adopts best practices and pursues safety promotion and awareness programs for employees to reduce accidents and injuries.

Golden Safety Rules

To strengthen its safety culture and promote informed leadership in OHS among employees of Rosneft and contractors, the Company adopted the Golden Safety Rules back in 2014. They outline basic guidelines for good safety practices based on the related experience of global oil and gas leaders and lessons learned by Rosneft and

its subsidiaries from accidents and incidents in the past.

In 2017, Rosneft set on a task to “reboot” its Golden Safety Rules, improving their visibility and running an extensive awareness campaign to get key messages across using a multi-channel approach, which included mandatory briefings, different types of training and motivational activities such as art contests, surveys and publications. The Rosneft CEO and other high-level executives addressed employees of Rosneft and contractors to emphasize the importance of adhering to safety rules both at home and at work.

More than 300,000 employees passed tests as part of the implementation process for the Golden Safety Rules in 2017.



300,000

EMPLOYEES AND CONTRACTORS

successfully passed a test on the Golden Safety Rules

CELEBRATION OF THE WORLD DAY FOR SAFETY AND HEALTH AT WORK

The Company ran a number of initiatives on 28 April 2017 to celebrate the World Day for Safety and Health at Work and engage as many employees as possible in safety.

Those included the launch of a corporate portal devoted to occupational health, safety and environment, including fire safety, as a source of reference in safety matters for employees. The vice president for HSE delivered a special address, and conversations about safety were held among employees, along with surveys. The celebration program also featured safety quizzes and trivia across subsidiaries.



OHS Leadership

As the Company grew in scale in 2017, the safety of employees, partners and local communities moved up its agenda.

All managers in Rosneft are responsible for enhancing OHS performance by demonstrating safe behaviors and leadership, establishing a clear segregation of duties and responsibilities, mobilizing resources and enabling the continuous improvement of processes through regular measurement, assessment and monitoring.

The key elements of corporate leadership in OHS include vision, commitment, expertise and integrity.

To foster OHS leadership skills among managers at all levels across subsidiaries, Rosneft adopted in 2017 formal OHS leadership criteria, which include:

- Personal participation in risk assessment and occupational safety analysis to ensure compliance with the Golden Safety Rules
- Cooperation with contractors in OHS: participation in behavior-based safety audits, a focus on OHS matters at meetings and occupational safety inspections to monitor compliance with the Golden Safety Rules
- Meetings with employees to discuss current challenges, goals and commitments in OHS

- OHS awareness programs focusing on safety messages, including lessons learned from incidents in the past

Personal leadership goals in OHS are annually established for managers at all levels based on such formal criteria, with year-end results consolidated into company-wide rankings.

Rosneft has an OHS culture and informed leadership program that envisages many activities, including the Safety Leader initiative to build safety with incentives, rewards and recognition. The initiative was run at six subsidiaries on a pilot basis in 2016 and rolled out across 15 companies more in the exploration and production, refining, and distribution and sales businesses in 2017. The key objective is to recognize and reward employees for good safety performance and discourage dangerous behaviors.

All employees of Group entities are welcome to participate in the program under which each participant is assigned a certain score at the beginning of a year to be upgraded or downgraded during the year depending on their safety-related behaviors and contribution to the prevention of incidents and violations of OHS rules. The year ends with the recognition of safety-conscious employees as Safety Leaders or Champions and distribution of monetary prizes.

Cooperation with partners in OHS

Rosneft signed a cooperation agreement with BP on the sidelines of the 21st St. Petersburg International Economic Forum in 2017 to exchange best practices, information and technologies in order to improve OHS performance and incident response.

IMPROVEMENTS IN AIR SAFETY



The Company places a particular focus on flight safety. It took a number of measures in 2017 to improve its overall performance in flight safety as the use of air transport expanded. Rosneft signed several long-term contracts with airlines on condition that they upgrade their fleet and introduced a ban on the use of one-motor helicopters for the carriage of passengers. The Company also adopted a group-wide air transport regulation aligned with international standards. In addition, 27 client-side operational safety audits were conducted at airlines providing services to 22 Rosneft subsidiaries. Thanks to such initiatives, Rosneft's overall safety indicator increased by 11.93% year-on-year to reach 99.90% in 2017. The average age of the helicopter fleet lowered from 31 to 12 years.



A workshop on global leadership in occupational safety was held in Moscow in October 2017, bringing together Rosneft top managers to discuss safety performance across industry lines based on benchmarking analysis and outline major HSE leadership principles for the Company.

To exchange experience and best practices in OHS, Rosneft employees visited production sites run by partners in Rotterdam and Baku.

Cooperation with government authorities

In 2017, Rosneft continued to participate in legislative initiatives to improve Russia's HSE regulatory framework. In particular, Rosneft experts participated in debates on 128 draft HSE laws and bylaws sponsored by ministries and other government agencies (including draft laws, draft orders of the Federal Service for Environmental, Technological and Nuclear Oversight (Rostekhnadzor) and ministries, and draft directives

of the Russian Government) to assess implications, introduce new provisions and refine regulatory requirements, recommending improvements for most of them. In addition, Rosneft employees cooperated with Rostekhnadzor's Science and Technology Council in developing methodological recommendations for classifying man-made occupational incidents and accidents at hazardous sites in the oil and gas industry. These guidelines will become an essential reference point for classifying such incidents and accidents.



Rosneft First Vice President Eric Liron (left) and BP Executive Vice President S&OR Robert Fryar at the workshop on Global Safety Leadership



Cooperation in HSE with contractors

Rosneft understands the importance of ensuring that its contractors comply with HSE requirements. As part of this focus, the Company issued a number of decisions in 2017 to establish additional HSE requirements for contractors and extend them beyond the delivery stage to the bid qualification process. In particular, Rosneft:

- Made amendments to the in-house HSE Requirements for providers of services contracted by the Company to increase their liability for safety violations and establish eligibility requirements regarding their staff's qualifications and health

- Introduced fine rates for contractors for HSE violations depending on their gravity, a widely used tool to motivate managers of contracting companies to implement a robust HSE management system in order to minimize accidents, job-related injuries and occupational diseases.

Road traffic safety

Ensuring road traffic safety is an important element of overall operational safety culture for the Company. In 2017, Rosneft adopted a framework for its traffic safety management system that extends beyond Rosneft and its subsidiaries to contractors and subcontractors. This regulation outlines basic requirements for vehicles, special equipment, drivers, operators, maintenance and repair services, and responsibilities. Compliance is a prerequisite for sustainable

performance in traffic safety. The key objective of Rosneft's traffic safety management system is to reduce accidents and other potential risks associated with the carriage of passengers and cargo.

In line with its commitment under the newly adopted regulation, Rosneft conducted various initiatives, which included:

- Training of more than 20,000 drivers in defensive driving
- A project to equip the Company's fleet and contractor vehicles with on-board monitoring systems and dashboard cameras.

Industrial safety

Improving the integrity of production was in the focus of all business units of Rosneft in 2017.

Companies in the exploration and production business continued to make progress under their Pipeline Safety Program. The program, which uses a risk-based approach, embraces the following components: pipeline reconstruction, major repairs, inhibition and inhibitor screening. All reconstruction work and major repairs are done using modern materials in the pipeline industry. The failure rate for pipelines decreased by 23% year-on-year in 2017 as a result of program initiatives.

Rosneft also introduced an in-field pipeline ranking process in 2017 to identify critical pipeline sections with high failure risks and prioritize them for planning reconstruction and major repairs. The process was implemented in 11 subsidiaries and is expected to be rolled out further across the Group.

ROAD TRAFFIC SAFETY INITIATIVES



Rosneft held four road traffic safety initiatives in 2017, including Safe Road, Slow Down for Kids, Car-free Day and We are For Road Safety 2017.

The awareness campaign featured safety topics in corporate periodicals, road traffic safety conversations with employees and an address by the Rosneft vice president for HSE to highlight the importance of safe behaviors on the road.

Rosneft continues work on developing a uniform approach for identifying and keeping track of pipeline failures. The Company uses an OIS Pipe

solution to keep an automated record of all failures. This system incorporated 22 Group entities as of the end of 2017. In 2018, it is to be extended

to sites run by East Siberian Oil and Gas Company.



PIPELINE FAILURES AND OIL SPILLS, EXPLORATION AND PRODUCTION BUSINESS			
Period	2015	2016	2017
Total pipeline failures (in-field oil pipelines, gas pipelines and water pipelines)	8,841	7,827	8,428 ³⁰
Total pipeline failures per million tonnes of oil and gas condensate produced	43.6	35.3	37.4
Total pipeline failures resulting in oil spills	5,688	5,034	5,312
Crude oil and petroleum product spills due to pipeline failures, tonnes	855	694.5	684.3
Crude oil and petroleum product spills due to pipeline failures per million tonnes of oil and gas condensate produced	4.2	3.1	3.0
Rate of pipeline failures per kilometer per year	0.14	0.13	0.10

PIPELINES: BASIC CHARACTERISTICS AND SAFETY IMPROVEMENTS, KILOMETERS			
Period	2015	2016	2017
Total length of in-field pipelines	85,652	88,463	116,358
Total length of in-field pipelines in operation at period end	61,522	62,630	82,513
Reconstruction and repair of in-field pipelines	1,320	1,276	1,426
Inhibition of in-field pipelines	24,118	22,960	27,301
Internal cleaning of in-field pipelines	10,968	10,360	12,980
Diagnostics and examination of in-field pipeline safety	21,233	18,138	23,998

³⁰ The increase in the pipeline failure rate was due to the incorporation of new assets into the Company's perimeter (Bashneft) in 2017. Ratios of pipeline failures to other indicators, however, dropped, and their aftermath was less significant. The 2016 data did not include pipeline failures at Bashneft, while the 2017 data includes all of them.

Group entities engaged in the oil refining and petrochemicals businesses pursue various programs to increase the integrity of equipment and prevent accidents, which involve the elimination of dead ends in process pipelines, the replacement of carbon steel process pipes with chromium-molybdenum models that have welded joints of austenitic stainless steels and follow-up action on violations detected by regulators.

Fire safety

Rosneft takes consistent efforts to improve fire safety at its facilities. To prevent fires at its tank fleets, the Company carried out a stock-taking of tanks whose service life was repeatedly extended. As a follow-up on the inspections, a number of Group entities developed modernization strategies for tank fleets, involving the replacement, major repairs, reconstruction and upgrade of tanks.

A program was completed to improve the fire safety of residential buildings at sites operated by Rosneft and its contractors (trailers, bunkhouses in rotation villages, etc.). Continuous monitoring is in place at such sites to maintain fire safety at a high level. Action taken helped prevent fires and injuries. An emergency response was early and prompt, with no damage caused.

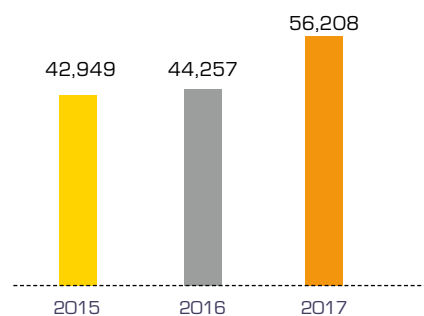
As a follow-up on independent audits conducted to evaluate the fire safety of refining and petrochemicals facilities, Rosneft developed programs to make them safer.

In addition, the Company developed and introduced targets in different areas for fire departments across its sites to reduce damage from fires and prevent deaths through an increased alertness.

Personal and process safety expenditures, including fire safety and blowout prevention costs

The Company spends significant funds on personal and process safety programs that also focus on the prevention of fires and blowouts. In 2017, the spending for these purposes totaled RUB 56,208 million.

Expenditures on personal and process safety, including fire safety and blowout prevention, RUB million



OHS ACHIEVEMENTS IN 2017

The Company has seen a rapid growth in recent years led by both strategic acquisitions and internal efficiency gains. A successful integration of newly acquired businesses, including Bashneft, requires a transition period for their employees to adapt to a new safety culture, including the Company's policy requirements regarding accident and injury prevention. The transition period is also necessary for building transparent and consistent relationships with contractors and subcontractors to reduce accidents and injuries on their side. After acquiring a new

business, the Company always places a particular focus on registering, investigating and analyzing incidents to improve OHS indicators for the new assets.

Rosneft took measures in 2017 to ensure that a proper record is kept of all injuries. As a result, the number of recorded injuries increased in 2017 due to the expansion of the Company's asset portfolio. At the same time, the injury severity rate dropped by 20%. The contractor-related fatality rate also lowered.

In 2017, the Company reported 11 accidents, which were largely due to process violations and

mishandling of equipment. It is important to note that there were no injuries or fatalities caused by these accidents.

Group entities took action to improve the safety of equipment by:

- Developing a program to install or upgrade fail-safe systems and distributed control systems and create one key for shutting down refineries when an emergency occurs
- Reviewing local and on-site alarm systems across Group entities.

COMPANY-RELATED INJURIES			
Period	2015	2016	2017
Incidence of fatal injuries per 100 million hours worked ³¹	4.76	2.28	1.87
Incidence of non-fatal injuries per million hours worked ³²	0.33	0.21	0.36 ³³
Total occupational injuries among employees	158	101	211
■ including fatalities	23	11	11
Lost Time Injury Frequency Rate (days away from work due to an incident or occupational illness) per million hours worked ³⁴	18.27	17.43	23.51
Incidence of occupational illnesses per million hours worked	0.12	0.116	0.11

CONTRACTOR-RELATED INJURIES			
Period	2015	2016	2017
Total occupational injuries – contractors,	126	121	140
■ including fatalities	22	43	13

ACCIDENTS AT ROSNEFT'S SITES			
Period	2015	2016	2017
Number of accidents ³⁵	9	8	11 ³⁶
■ including those with environmental impact ³⁷	5	0	0

³¹ The number of deaths among the Company's employees, including through the fault of third parties, per one hundred million hours worked.

³² The number of occupational injuries among the Company's employees, including deaths and through the fault of third parties, per one million of hours worked.

³³ The higher injury rate in 2017 was due to new assets added to the Company's portfolio, including Bashneft, and steps taken by the Company to make the incident reporting process more transparent.

³⁴ LTIFR (Lost Time Injury Frequency Rate) refers to the number of lost time injuries occurring in a workplace per one million hours worked.

³⁵ The number of accidents excludes controlled and uncontrolled flows of oil, gas and water.

³⁶ The Company's portfolio expanded in 2017 after the acquisition of new assets, including Bashneft. Four out of the 11 accidents in 2017 occurred at Bashneft's sites.

³⁷ According to the classification of the Federal Service for Natural Resource Management, environmental impact occurs when environmental damage extends beyond an industrial site.

ENVIRONMENT



ENVIRONMENTAL MANAGEMENT SYSTEM

Environmental sustainability highlights in 2017

Environmental protection lies at the heart of Rosneft's corporate culture and social responsibility. The Company is undertaking large-scale efforts to improve its environmental performance and resource sustainability. To achieve better environmental sustainability, Rosneft continues to improve environmental management approaches, scale up environmental initiatives and invest in environmental protection.

Rosneft's key environmental protection priorities in 2017 under its Environmental Management Efficiency Program included:

- Meeting environmental obligations as part of day-to-day operations (land reclamation, sludge removal and waste treatment)
- Repairing damage done by third parties
- Reducing air pollutant emissions
- Increasing water recycling and reuse, sustainable management of produced water and installation of water treatment systems

As part of enhancing its environmental protection framework, Rosneft updated in 2017 its Waste Management Standard and adopted the Remediation of Disturbed and Contaminated Land Standard.

Apart from the Environmental Management Efficiency Program, the Company pursues a great number in



environmental campaigns to promote environmentally responsible behaviors and conserve biodiversity in regions of presence. It also cooperates with various stakeholders to exchange experience, improve the legal framework and advance environmentally sustainable practices.



The Year of Ecology at Rosneft – outcomes and plans

With 2017 declared as the Year of Ecology in Russia by a presidential decree, Rosneft gave top priority to the environmental protection theme.

Pursuant to an agreement signed with the Russian Ministry of Natural Resources and Environment and the Federal

Service for Monitoring the Use of Natural Resources (Rosprirodnadzor), Rosneft implemented eight environmental projects included in the Russian Government's Plan of Key Actions for the Year of Ecology. Rosneft spent RUB 29.7 billion under these projects in 2017, with total investments for the period until 2025 estimated at more than RUB 100 billion. The projects included the construction of the Bashneft-Ufa neftekhim biotreatment plant for industrial, rainfall and domestic wastewater produced by three oil refineries operated by Bashneft, Ufaorgsintez, the oil-pumping station Cherkassy and sites in the northern industrial hub of Ufa.

Bashneft's new plant, which is one of the largest biotreatment systems in Eurasia, will enable the company to treat more industrial and domestic wastewater according to industry standards. The amount of rainfall wastewater reused increased by 150%, reducing Rosneft's negative impact on the River Belaya.

The biotreatment system with a capacity of 3,500 cubic meters per hour is comprised of 81 facilities, with the estimated service life of buildings and

structures being 60 years. More than 4,000 units of equipment were procured and delivered at the construction site, with 70% of them sourced locally. The project is estimated at RUB 11.5 billion.

Existing facilities were upgraded using General Electric's innovative technologies such as membrane bioreactors, electro-dialysis reversal and reverse osmosis to treat water according to the required standards.

The Year of Ecology was marked by numerous events across Group entities operating in all its business segments, which included scientific conferences, environmental festivals, competitions and clean-up campaigns in special protection areas, shorelines, parks and forests. Environmental officers of Group entities held lessons on sustainability practices as part of Rosneft Classes. Rosneft's cluster scientific conferences and the Interregional Scientific Conference of Young Professionals, hosted by six venues, featured sub-panel discussions on "Ecology. Occupational Safety and Health."

The Year of Ecology wrapped up with the Fourth Corporate

Congress of Environmental Experts at which they delivered their reports on environmental challenges, best practices and innovative solutions, summed up the performance of Rosneft's subsidiaries, and discussed pressing issues in environmental protection and solutions for addressing them and building an integrated HSE system. Managers and environmental protection experts of more than 120 subsidiaries participated in the event.



11.5

RUB BILLION

in investment to build Bashneft's biotreatment plant, one of the largest systems of the kind in Eurasia



Bashneft's biotreatment system



Innovations in environmental protection

Rosneft established the Specialized Ecology Institute at SamaraNIPIneft in 2016 to drive innovations and R&D and adopted a development program for it in 2017. The institute provided the following services to Rosneft and its subsidiaries:

- Developing a consistent methodology for determining drilling waste thresholds
- Updating project documentation for a drilling waste treatment technology using a degradable absorbent subject to the government environmental impact assessment process
- Developing guidelines for determining maximum opening prices of procurement contracts for services in oil spill management
- Creating an album of environmental protection technologies
- Providing designer supervision services to ensure the proper treatment of drilling waste and reclamation of well construction sites

In addition, Specialized Ecology Institute researchers participated in Rosneft’s scientific conferences to deliver reports on a range of subjects, contributing to the Company’s effort to build vast knowledge potential.

INNOVATIVE SOLUTION FOR DRILLING WASTE TREATMENT



Rosneft began drilling waste reinjection trial operations near Nizhnevartovsk, Khanty-Mansi Autonomous District. The system has a capacity of more than 140,000 cubic meters of drilling cuttings per year. Three wells were drilled for trials after exploration activities.

Drilling waste reinjection is one of the most innovative and environmentally safe solutions for the management of drilling cuttings from oil and gas production. Unlike traditional techniques, reinjection into formations prevents cuttings from coming into contact with the surface and doing harm to the environment.

The technology converts drilling cuttings and used solutions into a liquid slurry that is injected deep into isolated subsurface formations, without it contacting the ground water.

Observation wells were also built for subsurface soil and water monitoring to track the flow of slurry and hydrodynamic properties of the targeted formations.

The system has an automated control tool to centrally collect and process data on parameters of the injection process.

In 2017, Rosneft also started an innovation project to develop a drilling waste management technology based on a solution already used by subsidiaries to produce artificial soils. The objective of the project is to enable subsidiaries to switch from multiple drilling waste management techniques to one technology adapted for their operating environment, which is cost efficient, environmentally friendly and autonomous to eliminate their dependence on external suppliers.



Cooperation with governmental and non-governmental environmental groups

As part of commitment to develop and promote more environmentally friendly technologies, Rosneft participated in work on Best Available Techniques (BAT) Reference Documents for processes such as oil production (BAT 28), natural gas production (BAT 29), oil refining (BAT 30), and natural and associated gas processing (BAT 50).

These reference documents were approved by the Federal Agency on Technical Regulation and Metrology in 2017.

Rosneft understands the challenges of climate action and provides support for initiatives to enhance government regulation mechanisms for greenhouse gas emissions and drive the ratification procedure for the Paris Agreement under the United Nations Framework Convention on Climate Change. In particular, the Company participates in work on creating the required legal framework. In 2017, Rosneft took part in numerous events organized by Russia's governmental agencies, including the Energy

Ministry and the Ministry of Economic Development, to discuss regulation of greenhouse gas emissions, including proposals for reducing them in the public sector.

In addition, Rosneft participated in Arctic 2017 exercises initiated and organized by the Ministry of Natural Resources and Environment, the Ministry of Emergency Situations and Rosprirodnadzor to simulate an oil spill containment and cleanup effort near the marine ice-resistant fixed platform Prilazlomnaya and the onshore system Varandei, which involved several companies.



Biodiversity conservation

In 2014, Rosneft launched a program for the conservation of marine biological diversity at its license blocks in Russia's Arctic region. The key objective of the program, which will run until 2019, is to ensure safe and responsible operations in the Arctic and minimize the adverse impact on the environment from the Company's activities. Investments under the program totaled around RUB 850 million in 2017 since its launch.



REPOPULATION OF FISH SPECIES

Rosneft gives high priority to the mitigation of environmental damage caused to ecosystems by its operations. In 2017, Group entities released around 12 million baby and juvenile fish, including Peled, Salmon, Siberian Sturgeon, Sterlet, Coregonus and Thymallus, into aquatic ecosystems. The campaign targeted rivers and lakes in Arkhangelsk, Vologda, Novosibirsk and Tyumen Regions, Krasnoyarsk Territory, Krasnodar Territory, Yamalo-Nenets Autonomous District, the Republic of Karelia and the Republic of Sakha (Yakutia).



Key environmental indicators were identified for the period until 2019, with annual independent audits conducted to check compliance. The program is consisted of the following key components:

- Environmental protection action to increase the safety of exploration activities
- R&D and methodological support
- Environmental monitoring of species serving as indicators of Arctic ecosystem health and their habitats

The following projects were completed under the program in 2017:

- Processing of field data on populations of polar bears and walruses on Wrangel Island, Bennett Island and the Bolshiye Oranskiye Islands and onshore processing of biological materials collected during the Kara-Leto-2016 expedition
- Development of observation guidelines to evaluate impacts on marine mammals from marine geological surveys
- Development of a list of species serving as indicators of marine ecosystem health across the Company's license blocks in seas of the Arctic Ocean, and the publication of a brochure on the conservation of biological diversity in the Arctic

Rosneft's 133 stations in the Barents Sea, East Siberian Sea, Sea of Japan and Laptev Sea conducted studies on samples of air, seawater and seabed sediments, and hydrobiological and ichthyological indicators, along with observations of marine mammals and birds. The data collected allowed the research teams to map the marine environment of the Company's license blocks for environmental and fishing purposes and

EVENK REINDEER PROJECT



Vostsibneftegaz in Krasnoyarsk Territory runs a program to offer annual scholarships for individual and team research on Evenkia.

Research under the Evenk Reindeer Project is of a particular importance to local communities in the Evenkia and Taymyr districts in Krasnoyarsk Territory because reindeer is the central species in the Arctic ecosystem and an essential part of the lives of indigenous peoples engaged in traditional occupations.

At the first stage of the project, the research team fitted reindeer with GPS collars using the ARGOS satellite data network to collect data about their annual movements in Evenkia.

The next stages, including data analytics, the mapping of reindeer routes on geobotanical, climatic and topographic maps and the release of a final report, are planned for 2018. The findings will be used to draw up recommendations on sustainable reindeer herding practices for indigenous peoples of the North and the local authorities.

Key deliverables that are expected of this project include:

- Determining the size of reindeer populations, their annual movements in Evenkia and factors influencing the behavioral responses of animals
- Developing recommendations on the protection and sustainable use of wild reindeer for Krasnoyarsk Territory's Ministry of Natural Resources, other local authorities and indigenous peoples of the North living in the Evenk Autonomous District
- Engaging all stakeholders in efforts to conserve wild reindeer, including leading environmental groups, local authorities in northern Russia and indigenous peoples of the North
- Aligning data collected in Siberia with data obtained in Arctic studies.



propose more environmentally friendly exploration plans.

In 2017, Rosneft prepared and issued two brochures: Environmental Atlas. The Laptev Sea and Marine Mammals in Russia's Arctic and Far East. They sum up the key findings from studies on polar bear and walrus populations, and marine mammals observations.

The Company keeps its own register of special protection areas which serves as an underlying framework for evaluating and monitoring

the environmental safety of operations at such areas. The register is updated on a regular basis. When planning a new project and designing project documentation, Rosneft always submits inquiries with the Russian Ministry of Natural Resources and Environment and other governmental agencies to make sure the new site is not part of a special protected area. If the site is located in a protected area, Rosneft strictly follows technical regulations and standards and draws up environmental protection measures. When necessary,

SAKHALIN TAIMEN



The Sakhalin taimen is included in the Red Book of Russia and the Red Book of Sakhalin Region as an endangered indigenous species of the Far East. In 2017, RN-Sakhalinmorneftegaz implemented a project to draw up recommendations and take action for preserving the Sakhalin taimen and other endangered fish species.

The key objectives of the project were:

- Assessing the current state of Sakhalin taimen populations in the Company's regions of operation and identifying factors negatively influencing their populations
- Increasing environmental literacy for the conservation of the Sakhalin taimen
- Creating research capabilities for further studies

The research team prepared a detailed description of the morphology of the River Dagi's ecosystem, evaluating the size and condition of the Sakhalin taimen population. The density of the population was estimated at 0.028 to 0.164 fish per cubic meter depending on the river section, and their condition was described as good. The research team also analyzed environmental impacts from recreational and commercial fishing and poaching on the River Dagi and the Nyyskiy Zaliv.

Their findings suggest that poaching and uncontrolled fishing practices are posing a much bigger threat to the Sakhalin taimen population in the River Dagi than oil and gas production infrastructure, which has an insignificant impact.

Rosneft applies to the administration of the protected area for the approval of such measures.

Pursuant to its Environmental Protection Policy, the Company tries to avoid any activities in special protected areas when possible or, when its activities may have an impact, takes action to minimize it and establish strong environmental monitoring programs.

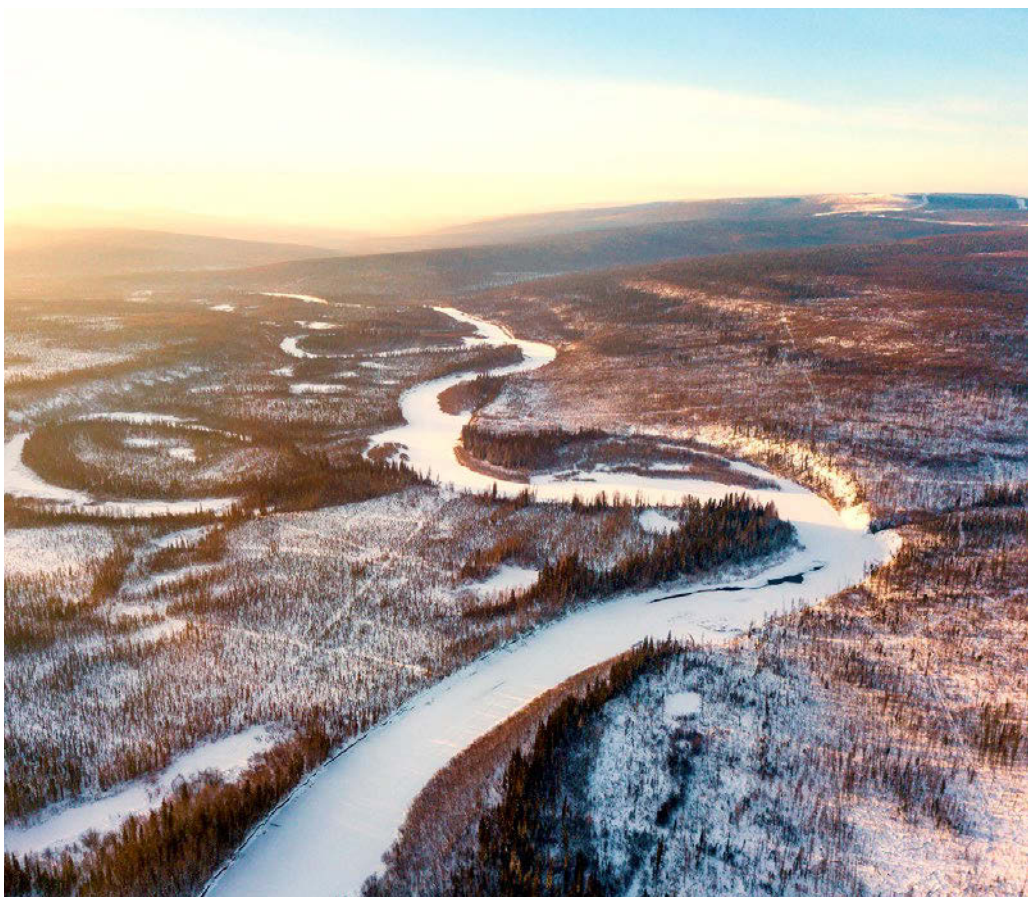
In 2017, Rosneft's subsidiaries conducted oil and gas exploration and production operations at 44 special protected areas and 28 adjacent areas of high biodiversity value. In addition, they carried out environmental monitoring activities in eight resort towns with protected status and parks where filling stations are located.

The Company's environmental assessment did not reveal any risks posed by its operations to special protection areas and areas of high biodiversity value. Rosneft also drew up biodiversity conservation plans and programs for 19 sites in 2017.

Environmental monitoring

In 2017, Rosneft implemented all environmental protection measures planned under its exploration program to meet obligations arising out of its licenses. Environmental protection activities were carried out at all license blocks where Rosneft conducts exploration activities. Those included:

- Surveys of the heads of wells drilled earlier at the following license blocks: Pomorskaya No. 1, Severo-Gulyayevskaya No. 1, Pakhancheskaya No. 1 and Admiralteiskaya No. 1. The condition of the wellheads was assessed as satisfactory, with no hydrocarbon leaks detected
- Environmental monitoring as part of exploration operations at the following



- license blocks: Pritaimyrsky, Khatangsky, Vostochno-Sibirsky- 1, Deryuginsky and Tsentralno-Tatarsky
- Background assessment and mapping for environmental and fishing purposes at the Tsentralno-Tatarsky, Vostochno-Sibirsky- 1 and Pritaimyrsky license blocks to collect current data about the environment
- Development of environmental monitoring programs to ensure safe exploration operations at the Tsentralno-Tatarsky and Bogatinsky license blocks, and their approval by the Department for the Management of Continental Shelf and World Ocean Subsoil Resources of the Ministry of Natural Resources and Environment
- Comprehensive background environmental monitoring at the Severo-Kaspiiskaya Ploshchad license block and the Zapadno-Rakushechnoye oil field in the Caspian Sea
- Environmental monitoring at the Temryuksko-Akhtarsky license block in the Azov Sea. Development and approval of an environmental rehabilitation program for the shallow-water sections of the Azov Sea and the Kulikovo-Kurchanskaya group of coastal lakes
- Environmental monitoring of the Pechora Sea's marine ecosystem and a study of wellheads at the Medynsko-Varandeisky license block.

Investment projects in environmental protection

In 2017, Rosneft pursued a number of investment projects to reduce a negative environmental impact by building and upgrading environmental protection systems at its sites. An overview of such projects is presented below:

- Exploration and Production**
- Samotlorneftegaz started the trial operations of

a drilling waste reinjection system. More than 80,000 cubic meters of drilling cuttings were injected into formations by the Company's subsidiaries in the upstream segment using this technology in 2017, with RN-Uvatneftegaz accounting for 54,000 cubic meters and Samotlorneftegaz for around 26,000 cubic meters

- Samotlorneftegaz also completed the pre-commissioning stages for an oily waste treatment system with a capacity of 3,700 tonnes per year at the Kuleshovskoye field. Preparatory work was conducted at the Yablonevskoye field to build an oily waste treatment system with a capacity of 4,700 tonnes per year
- Vostsibneftegaz commissioned the first phase in the Sludge Collector 3 Project, estimated to have a total capacity of 20,000 cubic meters, at the Yurubcheno-Tokhomskoye field to comply with regulatory requirements

- RN-Purneftegaz completed the second phase in the industrial and solid waste disposal site project at the Barsukovskaya group of deposits. Planning and surveying activities were completed for the construction of the second phase in a similar project at the Tarasovskoye and Kharampurskoye fields

Refining

- The construction of on-site wastewater treatment facilities and a water reuse system for the production of additives at Novokuibyshevsk Oil and Additive Plant. Outputs: the new facilities will meet the plant's reused water needs according to the required standards for the additive production process. Additive production wastewater will be preliminarily treated according to standards for release into the sewage system of Novokuibyshevsk Oil Refinery to reduce the workload of its wastewater treatment facilities. The new process

is projected to decrease the concentration of pollutants in wastewater: concentrations will reduce from 70,000 to 20 for ammonium ions, from 3,000 to 30 for suspended substances and from 5,000 to 150 for oil products, while pH will drop from 2 - 14 to 6.5 - 8.5

- Upgrade of the wastewater collection unit of Novokuibyshevsk Oil Refinery's biological treatment plant. The new technology will use membrane bioreactors that effectively treat wastewater containing oil, suspended substances, nitrogen compounds and other pollutants. A portion of wastewater will be pumped back into the water reuse system after treatment to reduce the concentration of pollutants.

ROSNEFT'S CONTRIBUTION TO ENVIRONMENTAL AWARENESS

Rosneft was highly praised by regulators and environmental groups for its Year of Ecology activities. At the Fifth All-Russian Congress of Environmental Experts, Russia's Ministry of Natural Resources and Environment awarded Rosneft the Certificate for the Company's Active Environmental Policy in the Year of Ecology, recognizing its strong engagement in environmental protection initiatives outlined in its trilateral cooperation agreement with the ministry and Rospirodnadzor.

Rosneft also earned a certificate for consistent efforts to reduce its environmental footprint at a ceremony held to unveil 2017 green rankings in Russia's oil and gas industry, a sign of recognition of the Company's large-scale environmental programs.

Rosneft's commitment to environmental sustainability was also recognized at the highest government level, as it received a thank you letter from the Russian President for participation in Year of Ecology initiatives in 2017.



Gas:

- Upgrading of low-pressure flare systems at the complex gas treatment plants of the Novo-Urengoisky and Vostochno-Urengoisky license blocks. The project is focused on replacing flare tips with more sophisticated models utilizing a variable exit area with control systems. Gas seals provide a high exit velocity irrespective of the amount of waste gas to produce a vacuum zone, maximize the amount of air entrained and produce increased mixing between waste gas and air, resulting in smokeless combustion. The project will lead to the zero level of soot emissions and a reduction in carbon monoxide and benz(a)pyrene emissions which are projected to drop 12.5 and fourfold, respectively. The system is to switch to soot-free operations during turnaround maintenance scheduled for 2018
- The construction of a wastewater treatment and disposal system for Valanginian deposits (Vostochno-Urengoisky license block) to reduce the discharge of wastewater into aquatic ecosystems. The system is to start operations in May 2019
- The construction of a complex gas and gas condensate treatment system for the Vostochno-Urengoisky license block. The system will help reduce air pollutant emissions through a better treatment of gas and gas condensate and a reduction in associated gas flaring and flash gas production. The system is to be commissioned in 2019.

Sales and distribution

- RN-Morskoi Terminal Tuapse started the construction of a third industrial wastewater and stormwater treatment system on the left bank of the River Tuapse
- RN-Morskoi Terminal Nakhodka started building second and third systems under its upgrade program for industrial wastewater and stormwater treatment facilities.

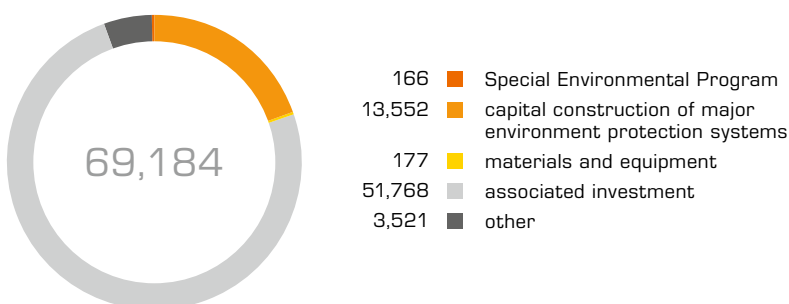
This was more compared with the previous year, largely due to programs run to celebrate the Year of Ecology and a 47% rise in investment, with investment worth RUB 2 billion made by Bashneft accounting for 54% of this growth. For details about key investment projects, see the section Investment projects in environmental protection.

Investments in environmental protection

Rosneft spent a total of RUB 69 billion in 2017 for purposes such as environmental protection and resource sustainability, including in operational expenditures. Rosneft's total spending on environmental safety amounted to RUB 101.7 billion.

ENVIRONMENTAL EXPENDITURES, RUB MILLION			
Period	2015	2016	2017
Environmental capital expenditures	44,646	47,137	69,184
Operating environmental expenditures	27,000	26,578	32,547
Payments to budgets at all levels associated with environmental protection and resource sustainability	5,153	4,512	4,256
<ul style="list-style-type: none"> ■ including charges for adverse environmental effects 	2,621	1,990	395
<ul style="list-style-type: none"> ■ including compensation for environmental damage 	997	1,293	1,705
Pollution fines	201	260	259
Non-financial sanctions, cases	0	0	0

Environmental capital expenditures, RUB million



ENVIRONMENTAL PROTECTION PERFORMANCE IN 2017

Air pollution

Associated petroleum gas flaring is the most significant source of air pollution from the Company's operations.

Gross air pollutant emissions from the Company's operations increased by 219 million tonnes in 2017, which was mainly due to the acquisition of Bashneft and other assets, and the development of new fields. At the same time, a number of Rosneft's key subsidiaries lowered their air pollutant emissions, including Taas-Yurakh Neftegazodobycha, RN-Vankor and RN-Yuganskneftegaz which cut them by 28%, 15% and 3%, respectively.

AIR POLLUTANT EMISSIONS BY BUSINESS SEGMENT ³⁸ , THOUSAND TONNES			
Period	2015	2016	2017
Total air pollutant emissions, including:	1,788 ³⁹	1,709 ³⁹	1,929
■ oil and gas production	1,607 ³⁹	1,497 ³⁹	1,612
■ refining and petrochemicals	139	168	254
■ gas business	16	18	31
■ distribution and sales	19	19	20
■ oilfield services	8	7	11

AIR EMISSIONS BY POLLUTANT, THOUSAND TONNES			
Period	2015	2016	2017
Total air pollutant emissions, including:	1,788 ³⁹	1,709 ³⁹	1,929
■ particulate matter	87	84	89
■ sulfur dioxide	55	61	89
■ carbon monoxide	810	780 ³⁹	806
■ nitrogen oxide	50	50	58
■ hydrocarbons (excl. volatile organic compounds)	480 ³⁹	430 ³⁹	501
■ volatile organic compounds	303 ³⁹	300 ³⁹	364
■ benz(a)pyrene	0.000014	0.000022	0.00003
■ other	3	6	22

AIR POLLUTANT EMISSIONS, TONNES PER THOUSAND TONNES OF COAL EQUIVALENT			
Period	2015	2016	2017
SO ₂ emissions			
■ oil and gas production	0.05	0.06	0.06
■ refining and petrochemicals	0.30	0.34	0.48 ⁴⁰
NO _x emissions			
■ oil and gas production	0.09	0.09	0.10
■ refining and petrochemicals	0.13	0.13	0.13
Hydrocarbon emissions (incl. volatile organic compounds)			
■ oil and gas production	1.80 ⁴¹	1.66 ⁴¹	1.78
■ refining and petrochemicals	0.63	0.80	1.04

³⁸ Numbers may not add up to totals due to rounding.

³⁹ The 2015-16 data was adjusted for emissions from gas lift production.

⁴⁰ The higher SO₂ emissions in 2017 was due to new assets added to the Company's portfolio, including Bashneft.

⁴¹ The 2015-16 data was adjusted for emissions from gas lift production.



Priobskaya autonomous power plant, RN-Yuganskneftegaz

Greenhouse gas emissions

Rosneft understands the importance of climate change action, striving to improve environmental sustainability in line with best international practices in the industry. Rosneft's strategy, adopted by the Board of Directors, sets greenhouse gas emissions reduction goals.

The Investment Gas Program and the Energy Efficiency Program comprise the Company's key

mechanism for reducing greenhouse gas emissions.

In 2017, Rosneft's greenhouse gas emissions totaled 75.5 million tonnes of CO₂ equivalents, with direct emissions⁴² standing at 53.5 million tonnes of CO₂ equivalents and indirect emissions from the consumption of purchased electricity and heat⁴³ at 22.0 million tonnes of CO₂ equivalents.

Despite the acquisition of Bashneft's assets, Rosneft's

greenhouse gas emissions dropped by 2% year on year in 2017.

Indirect use-phase emissions from products sold by the Company totaled 207 million tonnes of CO₂ equivalents⁴⁴.

Rosneft implemented a number of measures in 2017 to reduce greenhouse gas emissions from its gas business.

- Those included a project to use high pressure flash gas from wells at the

DIRECT GREENHOUSE GAS EMISSIONS, THOUSAND TONNES

Period	2015	2016	2017
carbon dioxide (CO ₂)	39,586	45,711	45,895
methane (CH ₄)	256	266	304 ⁴⁵

GREENHOUSE GAS EMISSIONS, TONNES OF CO₂ EQUIVALENTS PER THOUSAND TONNES OF STANDARD FUEL

Period	2015	2016	2017
Oil and gas production (including oilfield services)	0.139	0.139	0.125
Refining, petrochemicals and sales	0.109	0.131	0.124

⁴² Scope 1 as defined in the Corporate Accounting and Reporting Standard of the Greenhouse Gas (GHG) Protocol, developed by World Business Council on Sustainable Development (WBCSD) and World Resources Institute (WRI).

⁴³ Scope 2 as defined in the above standard.

⁴⁴ Other indirect GHG emissions (Scope 3) were calculated from the sales of petroleum products.

⁴⁵ The 2015-16 data was adjusted for emissions from gas lift production.

Vostochno-Urengoisky license block instead of commercial dry stripped gas in the on-site automated gas-distributing station. The solution allowed the Company to utilize 6.4 million cubic meters of flare gas for operational needs and reduce air pollutant emissions by 288 tonnes

- The commissioning stage was completed for ejectors at the Novo-Urengoisky license block, enabling the annual utilization of 9 million cubic meters of flash gas and ending a high-pressure gas flare. The project is to result in a reduction in air pollutant emissions by 400 tonnes
- Rosneft also implemented a pilot project focusing on post-treatment hydraulic fracturing flow-back operations and gas condensate treatment at the Vostochno-Urengoisky license block operated by Rospan International. The technology removes propants, solids and liquids from well fluids during the flaring process. The amount of gas and gas condensate annually flared reduced by 67.1 million cubic tonnes and 20,600 tonnes, respectively, as a result of the project in 2017,

with air pollutant emissions dropping by 2,634 tonnes

Associated petroleum gas (APG) utilization

In 2017, Rosneft continued to implement its gas program, increasing the APG utilization rate to 37.2 billion cubic meters, up 0.7 billion cubic meters on the 2016 level.

The higher APG utilization level in 2017 can be mainly attributed to the following Group entities:

- Varyeganneftegaz: an increase in APG utilization by 0.5 billion cubic meters and an increase in the APG utilization rate to 97.8%, up 0.8 % on the 2016 level, following the start of the second phase in the pipeline project at the Varyenganskoye field and increased gas supplies to the Tyumen compressor station
- RN-Nyaganneftegaz: an increase in APG utilization by 0.2 million cubic meters following the start of new wells at Em-Egovskoye and increased gas supplies to Nyagangazpererabotka Gas Processing Plant
- RN-Shelf Dalny Vostok: an increase in APG utilization

and output by 1.3 billion cubic meters at Severnoye-Chaivo due to a higher actual gas-input factor

- Bashneft: an increase in APG utilization and output by 0.5 billion cubic meters following the integration of Bashneft's assets in the fourth quarter of 2016

Despite the higher APG utilization level in 2017, Rosneft's APG utilization rate dropped from 90.0% in 2016 to 89.2% in 2017 due to development operations at new oil deposits.

Greenfield projects play a key role in the Company's development. APG utilization is an important focus for Rosneft, with its planning process for greenfields taking place as early as the infrastructure engineering stage.

By Directive No. 1148 of 8 November 2012, the Russian Government has set an APG utilization rate target for the industry at no more than 5% of production. This target excludes APG flared during preventive repairs at gas processing plants, gas produced at new deposits and gas with a concentration of non-hydrocarbons of more than 50%.

ASSOCIATED PETROLEUM GAS (APG) UTILIZATION			
Period	2015	2016	2017
APG utilization CAPEX, RUB billion	13.2	17.8	20.1
APG production in Russia, billion cubic meters	37.7	40.2	41.6
APG production in Russia, excluding gas flared/utilized, billion cubic meters	33.1	36.2	37.1
APG utilization rate, %	87.9	90.0	89.2
Routine APG (hydrocarbons) flaring, billion cubic meters	4.6	4.0	4.5
APG flared, % of total APG production	12.1	10.0	10.8
Hydrocarbons venting, billion cubic meters	0.0	0.0	0.0

Rosneft plans to achieve this target for active fields in 2021. As part of cooperation with the Russian Ministry of Energy, the Company studied the possibility of joining the Zero Routine Flaring by 2030 initiative introduced by the World Bank.

Rosneft's capital expenditures under the APG utilization program totaled RUB 20.1 billion in 2017. Thirty-six projects were completed in 2017 to build APG utilization infrastructure. The key projects included:

- A low-pressure gas compression facility for RN-Vankor's PWDU-Sever and compression facilities for PWDU-1 and PWDU-3 at the Sovetskoye deposit operated by Tomskneft VNK

- Gas transportation infrastructure (Varyeganneftegaz, RN-Krasnodarneftegaz, RN-Yuganskneftegaz and Bashneft-Dobycha)
- 5 MW gas engine power plant for the Gerasimovskoye deposit operated by Tomskneft VNK
- Gas utilization infrastructure for operational needs (Samaraneftegaz, Bashneft-Dobycha, Taas-Yuryakh Neftgazodobycha and Sorovskneft).

Water consumption and wastewater discharge

Rosneft consumed a significant amount of water in some Russian regions, which, however, had vast water resources.

A 12% year-on-year increase in water consumption in 2017 was mainly due the acquisition of Bashneft, which accounted for 0.25 billion cubic meters of all water resources used by Rosneft.

Apart from consuming more reused and recycled water, Rosneft was also focused on a better treatment of wastewater discharged into the environment. The amount of untreated or undertreated wastewater discharged into surface waters decreased by 5% in 2017 compared with the previous year, while the discharge of wastewater treated according to the required standards rose by 7%.

WATER WITHDRAWALS FROM ALL SOURCES⁴⁶, MILLION CUBIC METERS

Period	2015	2016	2017
Water withdrawals from all sources	2,053.7	1,953.7	2,188.7
■ ground water	94.2	89.6	101.7
■ surface water	222.3	223.1	231.3
■ third-party water supply networks	36.1	36.0	50.0
■ own reservoirs	1.3	1.2	2.2
■ stormwater	7.1	7.1	12.2
■ wastewater	113.3	114.6	132.9
■ produced water	1,563.4	1,482.5	1,659.8
■ bottom water	17.2	0.8	1.0

TOTAL WATER CONSUMPTION FROM ALL SOURCES, MILLION CUBIC METERS

Period	2015	2016	2017
Consumption of water from all sources, including:	1,754.1	1,697.9	1,911.7
■ oil and gas production	1,642.6	1,583.8	1,782.6
■ refining and petrochemicals	105.2	106.7	119.9
■ Gas Business	1.6	1.7	1.9
■ distribution and sales	2.3	2.2	2.0
■ oilfield services	2.4	3.4	5.4

⁴⁶ Numbers may not add up to totals due to rounding

Waste management and contaminated land remediation

The amount of waste produced by the Company is on the rise due to the extension of operations and the environmental reporting parameter. Prompt actions in waste management, including waste treatment, are high on Rosneft's environmental agenda. Accumulated waste rose by an insignificant 2% in 2017, driven by a growth in



PRODUCED WATER			
Period	2015	2016	2017
Total produced water, million cubic meters	1,563.4	1,482.5	1,659.8
Injection without treatment, million cubic meters	13.2	15.6	26.9
Injection after treatment, million cubic meters	1,438.5	1,346.7	1,476.8
Produced water use, million cubic meters, including:	111.2	99.86	119.2
■ injections into formations	110.1	99.81	119.1
■ discharges into waterways	0.00	0.00	0.00
■ discharges into soils	1.1	0.05	0.04
Total hydrocarbons in oil and gas wastewater, thousand tonnes	18.5	19.1	18.1

CRUDE OIL AND PETROLEUM PRODUCT SPILLS, TONNES			
Period	2015	2016	2017
Total crude oil and petroleum product spills	4,581	774	758

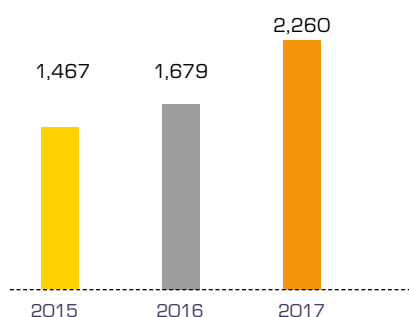
TOTAL WASTEWATER DISCHARGES, THOUSAND CUBIC METERS			
Period	2015	2016	2017
Wastewater discharges into third-party networks for reuse	307	341	290
Domestic wastewater discharges	71,906	70,468	75,898
Industrial wastewater discharges, including:	190,730	192,510	197,382
■ into surface waters	110,719	112,554	116,650
■ into formations	78,655	79,735	80,633
■ into soils	1,355	221	99
including:			
■ properly treated wastewater	112,394	122,617	130,914
■ contaminated and poorly treated wastewater	78,336	69,894	66,467

WASTEWATER DISCHARGES INTO SURFACE WATERS, THOUSAND CUBIC METERS			
Period	2015	2016	2017
Wastewater discharges into surface waters, including:	110,719	112,554	116,650
■ oil and gas production	106	19	191.5
■ refining and petrochemicals	110,058	111,945	115,833
■ Gas Business	20	20	15
■ distribution and sales	425	407	513
■ oilfield services	110	164	97

LAND CONTAMINATION AND REMEDIATION, HECTARES

Period	2015	2016	2017
Contaminated land at the beginning of the year	4,222	4,036 ⁴⁷	3,617
Contaminated lands as adjusted after a pre-project survey	212	325	306
Newly contaminated land	413	291	322
Contaminated land at the end of the year	4,132	3,617	3,348
Land remediation during the year	13,603	13,745	20,136
■ Including contaminated land	708	833	740
Natural recovery of disturbed and contaminated lands	76	202	157

Reused and recycled water



TOTAL MUD PITS

Period	2015	2016	2017
At beginning of the year	808	755 ⁴⁸	643 ⁴⁹
At the end of the year	719	571	620
Built during the year	327	290	640
Remedied during the year	416	474	663



⁴⁷ The amount of properly treated wastewater discharged into soils in 2015 has been adjusted.

⁴⁸ The amount of properly treated wastewater discharged into soils in 2015 has been adjusted.

⁴⁹ The figure at the beginning of 2017 differs from the figure at the end of 2016 due to the change in the environmental reporting perimeter and inventory adjustments

drilling cuttings which increased following the physical count of such waste produced by the newly acquired Kondaneft Oil Company and the long selection process of drilling waste disposal contractors ensuring compliance with antimonopoly

legislation. Drilling waste accumulated at the end of the year accounted for only 24% of such waste recycling in 2017.

Rosneft did not accumulate oily waste in 2017 as it recycled all such waste produced during

the year and 2% of such waste accumulated previously.

Thanks to a large-scale remediation effort, Rosneft reduced the total area of oil-contaminated land by 7% in 2017.

WASTE MANAGEMENT, THOUSAND TONNES			
Period	2015	2016	2017
Waste at the beginning of the year	10,349	14,711 ⁵⁰	13,804 ⁵⁰
■ including oily waste	5,975	10,363	10,229
■ including drilling cuttings	2,140	2,080	1,164
Adjustment for waste in the current period	4,694	-26	326.5
■ including oily waste	4,226	39	-78
■ including drilling cuttings	391	-124	406
Waste produced during the year	5,393	5,455	6,412
■ including oily waste	591	587	698
■ including drilling cuttings	3,186	4,000	4,676
New waste inventories (third-party waste and waste taken over as a result of a reorganization of another legal entity)	1,578	2,126	2,443
■ including oily waste	271	75	66
■ including drilling cuttings	1,304	2,048	2,375
Waste used during the year	995	711	580
■ including oily waste	100	115	170
■ including drilling cuttings	487	531	294
Waste treated and recycled	266	135	83
■ including oily waste	236	126	80
■ including drilling cuttings	0	0	0
Waste buried	95	133	91
■ including oily waste	3	4	6
■ including drilling cuttings	28	94	25
Waste transferred to third parties	5,925	7,495	8,151
■ including oily waste	602	591	664
■ including drilling cuttings	4,164	6,226	6,659
Waste at the end of the year	14,734	13,792	14,080
■ including oily waste	10,122	10,229	9,994
■ including drilling cuttings	2,342	1,153	1,641

⁵⁰ The figure at the beginning of 2016 and 2017 differs from the figure at the end of previous year due to the change in the environmental reporting perimeter ввиду изменения границ отчетности по экологическим показателям.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Rosneft is a major energy consumer in Russia, with oil and gas production operations accounting for most power consumption as suggested by an analysis of energy consumption by type of energy and business segment. Oil refining is the most intensive process in terms of heat and fuels consumed. Overall, Rosneft consumed 636 million gigajoules of energy in 2017.

With lower operating costs being a key component of Rosneft’s market leadership strategy, apart from production growth, the Company is strongly focused on energy savings. In 2017, Rosneft successfully achieved energy savings planned under its Energy Efficiency program.

The 2017 energy savings amounted to 1,196.2 tce, or 22.6 million gigajoules, which was 14% above the target approved by the Board of Directors. In monetary terms, the Company saved around RUB 9.2 billion, 17% more than it planned, while its expenditures under the Energy Efficiency Program totaled RUB 1.6 billion.

In particular, Rosneft achieved the following energy savings under its Energy Efficiency Program in 2017:

- Oil and gas production: 612,900 tce, or 6.9 million gigajoules, 20% above the target

- Refining: 534,500 tce, or 14.6 million gigajoules, 6% above the target
- Petrochemicals and gas processing: 38,600 tce, or 1 million gigajoules, 32% above the target
- Gas production and distribution: 1,000 tce, or 0.03 million gigajoules, 261% above the target
- Distribution and sales: 7,400 tce, or 0.10 million gigajoules, 9% above the target
- Oilfield services: 1,700 tce, or 0.04 million gigajoules, 43% above the target

The Board of Directors approved Rosneft’s Energy Efficiency Program for 2018-22 based on the Company’s similar program for 2017-21 which was adjusted for a medium-term macroeconomic outlook and broader energy efficiency plans.

Pursuant to its Energy Efficiency and Energy Saving Policy and the Corporate Standard “Energy Management System: Procedures and Guidance,” Rosneft accomplished in 2017 the following:

- Rosneft’s Energy Efficiency Committee approved a road-map for improving energy efficiency and deploying an energy management system across Rosneft in 2018-20
- Assets of the newly acquired Bashneft group (three companies in the oil and gas production business, four



1.6

RUB BILLION

in expenditures under the Energy Efficiency Program

9.2

RUB BILLION

in energy savings in 2017

ENERGY CONSUMPTION, MILLION GIGAJOULES			
Period	2015	2016	2017
Total consumption of renewable and non-renewable energy resources	311.9	347.8 ⁵¹	440.1
Consumption of electricity from external suppliers	113.7	123.1	151.2
Consumption of heat from external suppliers	24.3	25.0	44.7
Total energy consumption	449.9	495.9	636.0

⁵¹ The 2016 data was updated as a result of an adjustment in gas consumption by Vankorneft for operational needs



in the refining and petrochemicals business and one in the distribution and sales business) were added to the scope of Rosneft's 2018-22 Energy Efficiency Program

- Energy efficiency requirements were added to job descriptions for employees who are directly or indirectly involved in energy efficiency (more than 5,500 employees)
- Mandatory energy efficiency competencies were outlined for operations support in the oil production, oil refining, and distribution and sales businesses, followed by the approval of a framework for their assessment based on a 2,500-question test
- Rosneft also started work to release a reference document for BAT, know-hows and equipment used for energy efficiency improvements in oil refining (a similar reference document for BAT in oil and gas production was adopted in 2016)
- Rosneft also planned procedures for 2018 and 2019 to introduce the ISO 50001 standard on

environmental management across Bashneft's energy intensive companies and subsequently run a certification audit (33 Group entities are currently certified to this standard)

Rosneft's Energy Efficiency Committee, established in 2013, held three meetings in 2017 to approve guidelines and specific measures toward achieving better energy efficiency and building a strong energy management system across the Group.

The Company conducts regular energy efficiency audits in accordance with its internal regulations, which are critical to robust energy management. Repeat audits in 2017 targeted 15 companies in the oil production and refining segments. Eight companies, including seven entities of the Bashneft group, underwent such checks for the first time.

Several teams were awarded with bonuses for good energy efficiency performance following

the checks. Those included RN-Vankor, Samaraneftgaz, Orenburgneft, Novokuibyshevsk Oil and Additive Plant, RN-Komsomolsky Refinery and Novokuibyshevsk Oil Refinery. The Energy Efficiency Committee adopted an audit schedule for 2018.

Rosneft also continued program activities to support its energy efficiency control system that spans 13 oil production companies and 10 oil refineries and updated activities and costs planned under its 2018-22 Energy Efficiency Program.

The Company also works on developing and updating internal energy efficiency regulations. In 2017, Rosneft updated its guidelines on "The electricity consumption structure for the Group's oil and gas production companies" and "Planning and assessment of energy saving from energy efficiency programs run by the Group's entities in the refining and petrochemicals segment."



EMERGENCY PREVENTION AND RESPONSE READINESS



To improve the safety of people, assets and the environment in the event of emergencies across the Group, Rosneft implemented comprehensive measures, including:

- Updating the Group's emergency management regulations
- Expanding knowledge, skills and competencies to increase the emergency readiness of command and on-site units that are part of the Company's Unified State Emergency Prevention and Response System
- Reducing the risk, mitigating damage caused by emergencies and running awareness campaigns in emergency prevention and management

- Developing a framework for staff training in protection against threats of any kind and introducing modern education techniques and materials
- Creating, using and replenishing financial and non-financial capabilities in emergency response
- Increasing cooperation between the command, on-site units and local/functional subunits of the Company's Unified State Emergency Prevention and Response System

For purposes of emergency prevention and response, Group entities built up financial and non-financial reserves worth a total of more than RUB 3.1 billion in 2017.

PREVENTION AND MINIMIZATION OF POTENTIAL DAMAGE FROM MAN-MADE DISASTER

To improve the safety of people, assets and the environment in the event of man-made disasters across the Group, Rosneft was focused in 2017 on the following:

- Fire prevention and management (preventing deaths, injuries and damage and enhancing fighting techniques and rescue strategies)
- Maintenance of firefighting equipment operated by the Company's firefighting departments to keep it in working condition
- Establishment of professional and ad hoc rescue squads (training and certification)
- Deployment and maintenance of local and on-site alarm

systems for alerting employees about an emergency or its threat



The Company introduced a set of up-to-date requirements for risk minimization in emergency prevention and management under its plan to deploy a risk management information system that will integrate corporate analytics systems and capabilities in the collection and processing of data on errors in production processes, threats and man-made and natural disasters for ensuring a prompt response.

PREVENTION AND MINIMIZATION OF DAMAGE FROM NATURAL DISASTERS

Key natural hazards that may have a negative effect on Group entities' operations include floods, wildfires, hurricanes, heavy downpours, snowstorms, abnormally cold weather and earthquakes.

Comprehensive measures are taken every year to ensure accident-free operations and the readiness of command and units of the Unified State Emergency Prevention and Response System to respond promptly to natural disaster risks that may affect Group entities. The key focus is on prevention and potential damage minimization.

As part of preparing an effective response to spring

The project provides for the deployment of IT infrastructure and the integration of all dispatch services of Group entities into one emergency management perimeter using extended capabilities. Overall, 44 dispatch services of key entities and the Company's head office will be consolidated as a result of the two-stage project.

3.1
RUB BILLION
 in expenditures for emergency prevention and response in 2017



Tactical training exercises at RN-Vankor

floods in 2017, Rosneft and its subsidiaries compiled a list of preventive and protective measures, including forecasts of ice break-up dates for rivers in various regions of operation.

Such measures included forming anti-flood committees across the Group, drawing up and implementing prevention plans to prepare sites for trouble-free operations in the flood season, updating the list of the most susceptible sites, establishing cooperation with the emergency prevention and management offices of the local governments, testing the readiness of the command and on-site units of the Unified State Emergency Prevention and Response System and reviewing and replenishing response resources in flood-prone areas.

In March 2017, the Group held a command post exercise to enhance the emergency readiness of the command and on-site units of the Unified

State Emergency Prevention and Response System and ensure trouble-free operations, as well as the safety of workers and assets during spring floods.

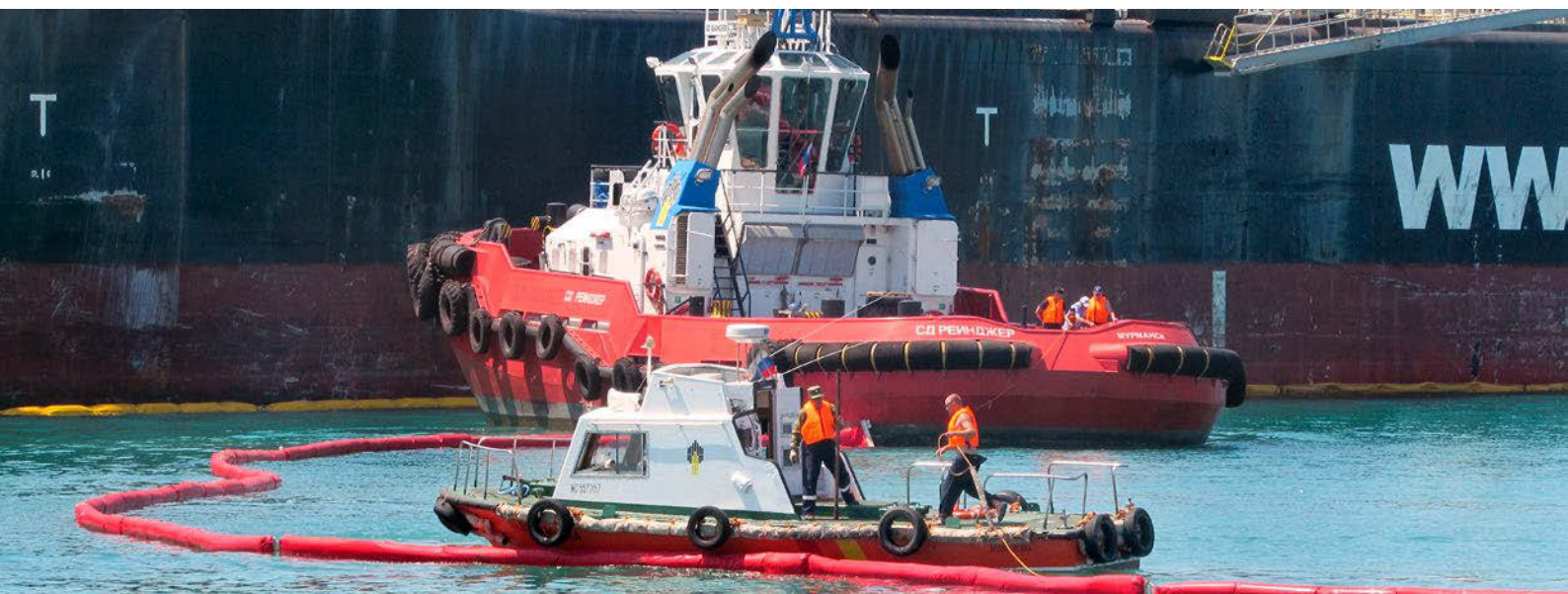
These preventive measures ensured trouble-free operations across the Group's sites during the flood season.

Group entities also developed and implemented a range of fire safety and response measures to prevent wildfires near oilfields, production sites and other facilities.

They also teamed up with local forest protection squads to monitor fire risks in the Group's areas of operation. The Group's sites were kept safe from wildfires in 2017. Overall, measures taken by the command and on-site units of the Unified State Emergency Prevention and Response System helped prevent damage to the Group's sites from natural disasters.

ROSNEFT'S SPENDING ON EMERGENCY PREVENTION, RUB MILLION

Period	2015	2016	2017
Expenditures for emergency prevention and response, including:	2951.7	2960.2	3139.4
■ financial and non-financial reserves	1664.57	1728.9	1891.0
■ maintenance of professional rescue and response teams	1287.13	1231.3	1248.4





Response to emergencies

To ensure a prompt and effective response to emergencies, Group entities implemented the following measures:

- Updating action plans for emergency prevention and management
- Forming the on-site units of the Company's Unified State Emergency Prevention and Response System that plays an important functional part in the emergency prevention and response system of the Russian Ministry of Energy and Russia's entire energy sector
- Forming 61 rescue squads and running a certification program
- Contracting external rescue services for subsidiaries with no such squads

All in-house and external rescue squads of the Group have the

necessary vehicles, equipment and tool to ensure an effective response to any emergency as required by federal laws.



Emergency response training for employees

The Company strives to minimize the impact of emergencies, maintaining a strong focus on employee training and the readiness of the command and staff of the Unified State Emergency Prevention and Response System. Around 300,000 Rosneft employees received training in 2017. To check the emergency response readiness of the command of on-site teams, Rosneft held 44 comprehensive training exercises, 143 command post exercises, 87 tactical training exercises and 41,747 on-site drills.

A training session in civil defense and emergency

management was held for the command of the Group's civil defense and emergency management units in Samara in June 2017 to improve their professional knowledge and competencies. Taking part were 211 employees in charge of civil defense and emergency management, as well as managers of Group entities operating in Samara Region.

The Group annually organizes competitions for the title of best Group entity in terms of civil defense and emergency management. As many as 152 Group entities participated in the competition held at the beginning of 2018 to sum up performance in 2017.

Emergency management authorities conducted 24 inspections across the Group in 2017 to check emergency safety, detecting no violations of federal regulations at 21 companies and issuing minor warnings to another three without imposing penalties.



HUMAN RESOURCES



HR MANAGEMENT SYSTEM

In 2017 Rosneft confirmed its status as one of Russia's largest employers. At year end, the Company's workforce numbered 318,000 people – up 10.5% year on year. This increase was the result of newly acquired assets, including the Targin Group, Kondaneft and Drilling Service Technologies, as well as growing production at current assets.

The Company continued to meet its targets in 2017 in line with the strategy for the period through 2020. Rosneft's HR management complies with Russian and international law and makes no use of forced, compulsory or child labor in any form, nor does it discriminate

on the basis of gender, age, nationality, race, religion, etc.

In view of its dynamic growth and expansion, Rosneft continues to place a high priority on the effective use of HR tools to raise labor productivity and motivate employees as well as on the enhanced organization of Group entities. For this reason, among others, efforts to unify and automate HR, compensation and social development were initiated in 2014. In 2017 the Company made great strides in enhancing the HR management system

Unification and automation of basic HR processes

Efforts continued in 2017 to introduce template solutions for Rosneft's approved "Plan for HR Control and Automation, Payroll Calculation and Social Development

318,000

PEOPLE

employed by the Company at the end of 2017

through 2020.” As a result, the Unified Corporate HR, Compensation and Social Development Template was rolled out on a unified IT platform at another 10 Group entities with a total of around 20,000 employees in Samara Region and southern Russia.

In 2017 the methodology of the Unified Corporate Template that underlies the unified information solution was updated. A new rollout project got under way in autumn of 2017 at 26 Group entities employing a total of some 45,000 people. By the end of 2019, unified procedures and methodology on a single IT platform are expected to be used for HR records and payroll for 160,000 employees of Group entities (approximately 50% of the Company’s total workforce).

Unification of functional units at Group entities

In order to unify the Company’s organizational structuring, standard organizational/functional structures have been under development for the corporate functions of Group entities since 2014. Standard subordination schemes as well as a standard set of competences and standard headcounts for various functions are being developed

and passed on to Group entities for implementation. The organizational/functional structures of Group entities are updated every three years on average.

The following standard organizational/functional structures were unified and passed on to Group entities for implementation in 2017:

- innovation
- corporate property and corporate governance
- record management, archiving and secretarial work
- the standard organizational structure of corporate R&D institutes

In addition to standard solutions for corporate functions, efforts were also made in 2017 to standardize the divisions and functions of Group enterprises’ production units. Among other things, standard organizational structures for refinery divisions were developed and passed on to Group entities for implementation. These efforts are to continue in 2018, resulting in the progressive introduction of standard headcounts for various production functions.

For purposes of improved organization, work was done throughout 2017 to align

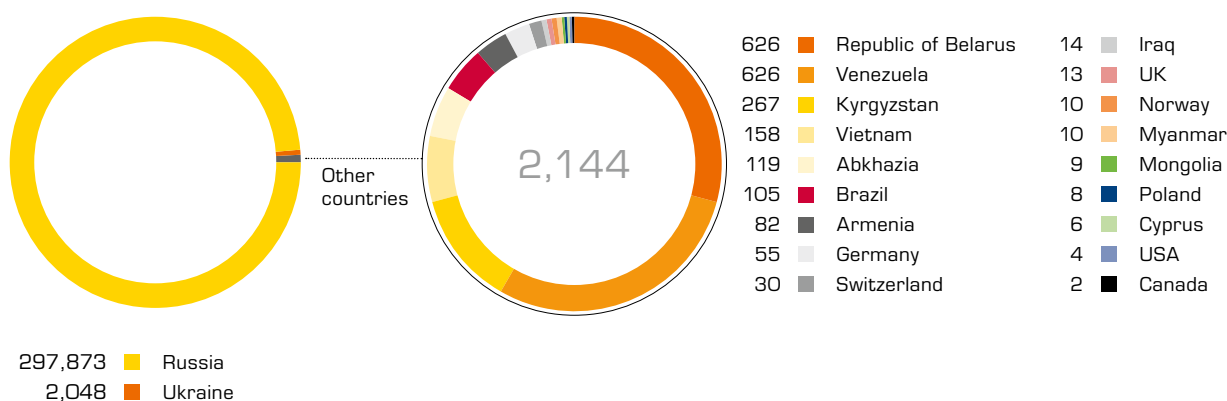
the organizational structure of Group entities with the Company’s “Procedure for the Initiation and Approval of Changes in the Organizational Structure of Group entities.” In particular, the status of Group entities’ divisions was brought into line with the approved criteria. Given the Company’s size, these processes will continue in 2018.

Staff composition

In 2017 the composition of Rosneft’s staff remained generally the same as in the previous year. The majority of Company employees (98%) were located in Russia, while the largest percentage outside of Russia (1%) were employed in Group entities in Ukraine.

The average age of Rosneft employees also remained nearly the same at 40.1 years. Employees in management positions made up 12.2% (38,600 employees) of the total year-end headcount. Women as a percentage of Company employees dropped 1.3% year on year to 32.2%. Women held 22.9% of Rosneft’s management positions at the end of 2017 and represented 13.6% of top management and the upper-level management of Group entities.

Staff breakdown by country, employees



HR PERFORMANCE IN 2017

Employee compensation

The average monthly salary for all Group entities reached RUB 79,200 in 2017, and the great majority of these entities have traditionally paid higher salaries than other companies in the same regions. Social payments, systemic benefit payments and one-time bonuses included in gross payroll averaged RUB 51,400 per employee in 2017.

In April 2017, salaries were indexed 6% for employees of Group entities in Russia to boost real salaries and compensate for inflation.

Unified compensation principles

To make the incentive system more transparent and tie employees' compensation more closely to their performance,

work continued in 2017 to formulate and approve unified compensation principles for individual business lines, taking the specifics of each into account.

The following were successfully implemented at Group entities in 2017:

- A model regulation on labor compensation for corporate research and design institutes
- A system of regular (monthly) bonuses for retail filling station employees
- A regulation on salaries and bonuses for employees of the Company's aviation enterprises
- A target concept for an employee compensation system in the oil refining and petrochemicals segment

In 2018, a target compensation system is to be developed for employees in the

exploration and production segment, taking production specifics into account.

Job evaluation (grading)

Rosneft's people strategy places a high priority on raising labor productivity, including by enhancing the HR management and incentive system. To this end, a pilot project to describe and grade positions in six Group entities was undertaken in 2017, employing the HAY Group's global job evaluation method, the most widely used to construct a system of job levels.

The unified grading methodology will enable a unified pay structure and make the employee incentive system and personnel costs at Group entities more effective and transparent.

INTEGRATED RANKING

To motivate employees and Group entities to fulfill their production plans, the Company has held an annual competition since 2005 to determine the best enterprise in the following business lines: oil and gas extraction, oil refining, gas processing and petrochemicals, oil product supply (sales), oil product supply (marine transshipment), and research and design.

For a more objective integrated ranking, oil and gas production enterprises were divided into two groups in 2017 at the initiative of the top manager in charge: those with an annual output of 6 or more million tons of oil equivalent and those with less than 6 million tons.

The most notable change in the integrated ranking procedure in 2017 was a substantial increase in the size of awards. First-place winners are awarded a bonus of 50% of their monthly salary (previously 15%), second-place winners receive 30% (previously 5%), and a 20% bonus has been introduced for third place.



Internal rules and regulations

“Standard Internal Rules and Regulations of Group entities”⁵² – approved the year before – were adopted as part of efforts to unify the Group’s HR processes. The Rosneft Interregional Trade Union Organization was actively involved in drafting this document. Some 450 comments and suggestions from 55 Group entities were taken into consideration.

The unified rules made it possible:

- to establish local standard rules and regulations that serve the interests of employer and employees and comply with the Russian Labor Code as well as minimizing the risks of labor disputes
- to systematize working hours so that they can be used more rationally and efficiently
- to minimize the risk of violating the law in the area of labor conduct
- to raise the level of employees’ adherence to labor discipline.

Key performance indicators

Rosneft’s system of key performance indicators (KPI) plays an essential part in the motivation and compensation of managers. The KPI system includes a number of sustainable development indicators that are tied to bonuses for Company management. These include fuel and energy savings, frequency of employee injuries and the efficiency of purchases from small and medium-sized businesses.

An important innovation in 2017 was to make compliance with state professional

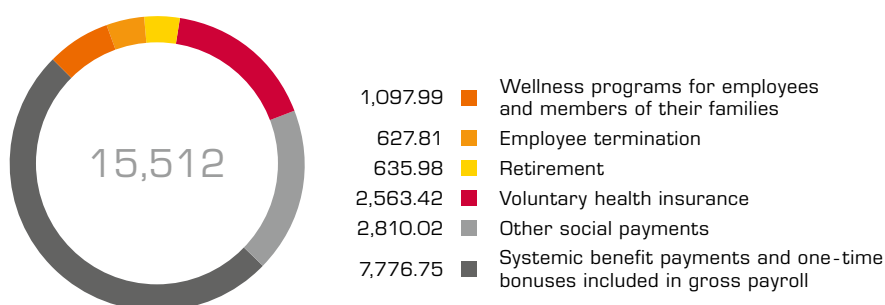
standards a key performance indicator for managers in the Company and Group entities (for details, see the section “State Professional Standards” in this report).

Also, a norm designed to make information on all accidents, including minor injuries, more open and transparent was included in the indicator of work-related injuries, and this indicator was broadened to include injuries to Company employees that are the fault of contractors. This approach enables a fuller assessment of workplace safety and timely responses to rapid changes.



Over the years, Rosneft management has shown an unwavering commitment to high standards of social security for its employees. Social payments to employees totaled RUB 15.5 billion in 2017.

Social payments, benefit payments and one-time bonuses included in gross payroll in 2017, RUB million



⁵² The Company’s “Standard Internal Rules and Regulations of Group Entities”

COMPARISON OF MONTHLY SALARIES IN SELECT ROSNEFT GROUP ENTITIES AND THEIR LOCAL REGIONS IN 2017, RUB

Region	Group entity	Average salary at Group entities, RUB	Average salary in the region, RUB (November 2017, Rosstat data)	Average salary at Group entities as a percentage of the average for the region, %
Arkhangelsk Region	RN-Arkhangelsknefteprodukt LLC	39,697.89	41,192.00	96%
Irkutsk Region	Angarsk Petrochemical Company OJSC	67,239.79	37,917.00	177%
	Angarsk Polymer Plant OJSC	58,607.92	37,917.00	155%
	Irkutsknefteprodukt CJSC	43,207.31	37,917.00	114%
	Verkhnechonskneftegaz OJSC	107,806.55	37,917.00	284%
Krasnodar Territory	RN-Krasnodarneftegaz LLC	50,506.38	30,283.00	167%
	RN-Tuapse Refinery LLC	66,641.00	30,283.00	220%
	RN-Tuapsenefteprodukt LLC	48,758.80	30,283.00	161%
	RN Kubannefteprodukt OJSC	29,125.89	30,283.00	96%
Krasnoyarsk Territory	RN-Vankor LLC	141,661.51	40,633.00	349%
	East Siberian Oil and Gas Company OJSC	123,505.41	40,633.00	304%
	Achinsk Refinery VNH OJSC	74,610.52	40,633.00	184%
	RN-Krasnoyarsknefteprodukt LLC	58,209.88	40,633.00	143%
Moscow Region	CJSC TZH Sheremetyevo	88,482.14	47,005.00	188%
Murmansk Region	RN-Murmansknefteprodukt OJSC	38,293.55	50,114.00	76%
Nenets Autonomous District	Bashneft-Polyus LLC	148,556.39	71,438.00	208%
Orenburg Region	Buguruslanneft LLC	54,988.88	27,383.00	201%
Primorsky Territory	Eastern Petrochemical Company CJSC	132,880.23	38,196.00	348%
	RN-Nakhodkanefteprodukt LLC	57,270.39	38,196.00	150%
Republic of Bashkortostan	Bashneft-Dobycha LLC	64,379.21	30,620.00	210%
	OAD Ufaorgsintez	76,922.78	30,620.00	251%
	Ufa Oil Refinery OJSC	82,968.72	30,620.00	271%
	Branch of Bashneft Oil Company PJSC: Bashneft Regional Sales	87,293.52	30,620.00	285%
	Bashneft-Roznitsa LLC	36,894.01	30,620.00	120%
Republic of Ingushetia	RN-Ingushneft OJSC	27,658.75	21,914.00	126%
	RN-Ingushnefteprodukt LLC	25,075.04	21,914.00	114%
Republic of Karelia	CJSC Karelianefteprodukt	30,569.32	34,476.00	89%
Republic of Komi	RN-Severnaya Neft LLC	108,804.75	44,748.00	243%
Sakha Republic (Yakutia)	Taas-Yuryakh Neftegazodobycha LLC	138,344.38	61,171.00	226%
Republic of Khakassia	Khakasnefteprodukt VNH CJSC	31,976.73	34,078.00	94%
Rostov Region	RN-Rostovnefteprodukt JSC	29,288.28	27,910.00	105%

COMPARISON OF MONTHLY SALARIES IN SELECT ROSNEFT GROUP ENTITIES AND THEIR LOCAL REGIONS IN 2017, RUB				
Region	Group entity	Average salary at Group entities, RUB	Average salary in the region, RUB (November 2017, Rosstat data)	Average salary at Group entities as a percentage of the average for the region, %
Ryazan Region	Ryazan Refinery CJSC	70,618.85	28,941.00	244%
	Ryazannefteprodukt OJSC	31,100.14	28,941.00	107%
Samara Region	Samaraneftegaz OJSC	60,782.50	30,242.00	201%
	Huybyshev Refinery OJSC	58,484.79	30,242.00	193%
	Novokuybyshevsk Refinery OJSC	57,000.36	30,242.00	188%
	Syzran Refinery OJSC	60,701.59	30,242.00	201%
	Novokuybyshevsk Petrochemical Company OJSC	44,726.24	30,242.00	148%
	Novokuybyshevsk Oil and Additive Plant LLC	56,402.48	30,242.00	187%
	Samaranefteprodukt OJSC	31,233.28	30,242.00	103%
St. Petersburg	RN-Trade LLC	51,216.52	54,353.00	94%
Saratov Region	Saratov Refinery OJSC	64,750.33	24,478.00	265%
	Saratovnefteprodukt OJSC	28,337.48	24,478.00	116%
Sakhalin Region	RN-Sakhalinmorneftegaz LLC	100,530.97	66,271.00	152%
Tomsk Region	Tomskneft OJSC	92,543.68	38,346.00	241%
	Tomsknefteprodukt OJSC	40,349.41	38,346.00	105%
Tyumen Region	Tyumenneftegaz OJSC	143,270.15	40,715.00	352%
	RN-Uvatneftegaz	128,513.24	40,715.00	316%
Udmurt Republic	Udmurtneft OJSC	64,274.35	30,005.00	214%
Khabarovsk Territory	RN-Homsomolsk Refinery LLC	76,445.76	43,461.00	176%
Khanty-Mansi Autonomous District	RN-Yuganskneftegaz LLC	98,046.06	59,552.00	165%
	Varyeganneftegaz OJSC	125,368.40	59,552.00	211%
	RN-Nyaganneftegaz JSC	102,170.86	59,552.00	172%
	Samotlorneftegaz OJSC	96,984.30	59,552.00	163%
	Krasnoleninsky Refinery LLC	90,536.88	59,552.00	152%
	Nizhnevartovsk Refinery LLC	99,061.11	59,552.00	166%
	Zapsibnefteprodukt LLC	62,917.35	59,552.00	106%
Chechen Republic	Grozneftegaz OJSC	31,887.24	22,464.00	142%
	RN-Chechennefteprodukt LLC	16,562.81	22,464.00	74%
Yamalo-Nenets Autonomous District	RN-Purneftegaz LLC	102,855.23	81,481.00	126%
	Rospan International CJSC	219,197.97	81,481.00	269%
	Sibneftegaz JSC	171,243.79	81,481.00	210%
Yaroslavl Region	RN-Yaroslavl JSC	28,306.30	31,425.00	90%

62

CORPORATE TRAINING CENTERS

successfully operate across the Group

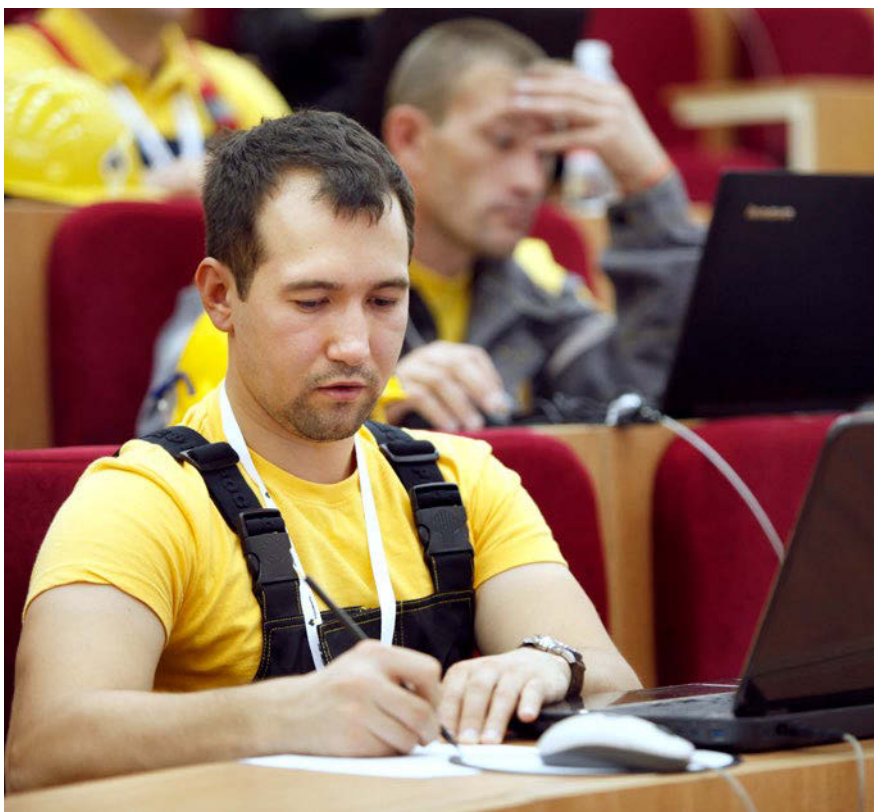
Training and career development

Rosneft has a unified corporate system of career development across all business sectors and categories of personnel. Rosneft meets its legal requirements in terms of education and develops employee competencies in line with its business needs, corporate policies and procedures and the best Russian and international practices.

Some 400,000 man-courses were provided in 2017, including mandatory, occupational and management training. The Company has 62 corporate training centers. The occupational, corporate and management competencies of over 28,000 people have been evaluated. Rosneft works closely with 58 partner universities and has 20 specialized academic departments. Each year around 6,500 students do internships at Rosneft, and 1,000 of these are hired.

To create a pool of talent for jobs in high demand, the Company also works with 24 colleges, and over 1,000 of their students do internships each year.

A total of 2,615 secondary school students in 25 regions are enrolled in 111 Rosneft Classes. In 2017, 685 graduates of Rosneft Classes enrolled in related university programs.



TRAINING AND PROFESSIONAL DEVELOPMENT OF ROSNEFT STAFF IN 2017

Total man-hours of training	13,497,685
Average number of man-hours of training per employee per year	42.4
Man-hours by category	
■ Managers	66.3
■ White-collar employees	25.0
■ Blue-collar employees	46.5
Man-hours by sex	
■ Male	52.2
■ Female	21.9

TRAINING AND PREPARATION OF ROSNEFT STAFF IN 2017, MAN-COURSES

Period	2015	2016	2017
Total for the year	325,890	438,507	533,298
By category			
■ Managers	74,443	83,981	99,715
■ Talent pool	2,259	2,625	3,077
■ Professionals	81,855	103,094	121,198
■ Young professionals	6,556	3,706	3,847
■ Blue-collar employees	160,777	245,101	305,461

Staff training

To unify staff training practices and establish a single corporate training methodology, Version 3.00 of the Company's Staff Training Standard was approved and implemented in 2017. This standard is the central staff training document and sets unified requirements for training at Rosneft and Group entities.

Its puts particular emphasis on raising corporate requirements for mandatory and occupational training in order to ensure job quality and safety and prevent and manage accidents and emergencies.

In 2017, 533,300 man-hours of mandatory occupational and management training were provided – 24% more than were planned for the year.

Employee training for strategic projects

One particularly important training program offered in 2017 was designed to prepare employees for priority goals of the Company's long-term strategy, including:

1. Preparation of managers of Group entities and formation of a Company talent pool
2. Exploration and production training: specialized corporate training, mandatory training of key Group entity employees and programs for mid-level production managers of Group entities
3. Young Engineers Program: a comprehensive course of career planning and training for young engineers in the exploration and production segment
4. Professional retraining for work on offshore projects
5. Training in oil refining and petrochemicals
6. Retail training: upgrading of professional qualifications and practical mastery, training in corporate service standards for filling stations and in the marketing and sales of complementary goods
7. Training in corporate research and design
8. Training to promote a culture of job safety and informed HSE leadership
9. Energy efficiency training
10. Supply chain training
11. Corporate compliance programs
12. Professional retraining as part of the implementation state professional standards

THE WORLDSKILLS COMPETITION

In order to popularize skilled professions and bring the level of preparation up to international standards, Rosneft's second corporate laboratory chemical testing championship was held in 2017 in accordance with Worldskills standards.

29 chemistry lab technicians and 33 experts employed by 32 Company oil refineries and petrochemical plants entered the competition at a corporate production facility in Novokuybyshevsk.

The winners represented the Company at the Fourth National WorldSkills Hi-Tech Championship of Universal High-Tech Occupations, held in autumn of 2017 in Ekaterinburg. A young professional from Saratov Refinery took third place in the category of laboratory chemical testing.





In-house training resources

In order to preserve and transmit knowledge within the corporation as well as to ensure training quality and effectiveness, Rosneft has developed its own in-house training resources.

48% of all employee training in 2017 was in-house, including training provided by corporate training centers, in-house instructors and experts and on-the-job mentors.

62 training centers, including practical training areas, have been set up and successfully operated at Group entities, drawing on the resources of local educational institutions, to provide workers and professionals with advanced, occupational and mandatory training. Key achievements in 2017 were:

- the creation of a Rosneft corporate training and career development center at the Odintsovo branch of Moscow State Institute of International Relations

- the establishment of a Rosneft Technical Qualification Center at Gubkin Russian State University of Oil and Gas
- the creation of an Offshore Drilling Center as a division of the Company's Technical Qualification Center at Gubkin Russian State University of Oil and Gas
- the completion of practical training areas at the Oil & Gas Training Center at Ingush Polytechnical College
- the creation of two training centers at Group entities

In parallel, Rosneft continued to develop its in-house training system by recruiting in-house instructors, experts and mentors. Rosneft's in-house instructors trained over 200,000 employees in 2017. 386 in-house training courses were designed and held at the corporate level for 7,838 employees.

Distance learning in 2017 included over 67,000 man-courses.



386

IN-HOUSE TRAINING COURSES

DESIGNED AND HELD AT THE CORPORATE LEVEL FOR

7,838

EMPLOYEES

in 2017

BEST IN THE PROFESSION

Competency evaluation system

Rosneft employees are evaluated for purposes of planning training and forming a talent pool and expert communities and as part of the process of screening candidates for hiring and promotions.

The ongoing process of improving the system of assessment and professional development of blue- and white-collar employees and managers includes efforts along two lines:

- Evaluation of corporate and management competencies based on Rosneft's Model of Corporate and Management Competencies, which reflects the Company's culture and values and describes managers' competencies. This model was used to evaluate over 15,000 employees in 2017.
- Evaluation of professional competencies based on a methodology developed in-house. The competencies of over 13,000 professionals were evaluated in 2017.

In 2017 Rosneft continued work on a unified corporate information resource for the evaluation and development of employee competencies: documentation was drafted, and network hardware was purchased, installed and configured.



The Best in the Profession Competition is important as an element of the incentive system and as a means of developing the professional skills and knowledge of Company employees. As part of the competition, the Company holds major events each year for purposes of disseminating best practices and production culture, implementing new technologies, enhancing the prestige of skilled professions and rewarding employees who show initiative.

In 2017, more than 900 employees from over 100 Group entities took part in the 13th competition, held at Rosneft production facilities in the cities of Krasnodar and Tuapse.

Both theoretical and practical skills were taken into consideration, and high priority was given to industrial, fire, and occupational safety. Over seven days, the participants competed in 26 skill categories in the areas of oil and gas production, oil refining and distribution and sales.

The victors and prizewinners received certificates and cash awards. Competitors who did not win but showed special promise were awarded certificates "For the Will to Win," "For Professional Dedication," "For a Strong Start" and "For Creativity."

COMPREHENSIVE PERFORMANCE EVALUATION SYSTEM

Period	2015	2016	2017
Evaluation of vocational competencies, employees	6,500	over 9,000	over 13,000
Evaluation of corporate and management competencies, employees	11,300	over 12,000	over 15,000

State professional standards

Efforts continued in 2017 to implement professional standards at Rosneft and Group entities. Tasks involved in implementing professional standards were included in the performance indicators for Rosneft and Group entity managers responsible for HR management. The Company's progress in fulfilling its plan for implementing professional standards in 2017 was checked twice by the Company's Board of Directors in accordance

the Council for Professional Qualifications in the Oil and Gas Sector. In 2017, Company specialists also developed and presented five professional standards to be considered by the council in accordance with its plan.

International education projects

Rosneft collaborates with foreign partners to prepare talent for work on joint projects. International education projects

29

PROFESSIONAL STANDARDS

introduced as mandatory for all Group entities



with government directives.⁵³ The OHS Expert professional standard became mandatory in all Group entities, regardless of the nature of their business. Depending on the area involved, another 29 professional standards are mandatory, including drilling, exploration, well repair and reconstruction, oil and gas production and processing, education, welding, nondestructive inspection, etc.

Since 2015, Rosneft, along with other oil companies, has taken part in the activities of

and employee exchange programs are a powerful way of developing the competencies needed to achieve the Company's strategic goals.

In 2017, joint education projects were continued with Cuba-Petróleo, Petróleos de Venezuela S.A. (PDVSA) (Republic of Venezuela) and the Ministry of Education and Science of Mongolia. The Company provided financial and organizational support so that 27 Mongolian citizens and 15 Venezuelans could continue

bachelor's, professional and master's programs at partner schools, and a new group of students was admitted: 30 Venezuelans were accepted for master's programs to 2020.

With the Company's support, 18 Cuban students completed master's programs at Gubkin Russian State University of Oil and Gas.

Two short-term courses on geology and drilling were offered for 29 employees

⁵³ Directive No. 5119p-P13 of the Russian Government of 14 July 2016

of Rosneft and PDVSA joint ventures in Venezuela.

Another milestone in 2017 was the establishment of Rosneft internships for employees of KazMunayGas: four Kazakh professionals did internships at Syzran Refinery. In addition, two trilateral international cooperation agreements were signed in May 2017 between Rosneft, the Polytechnic University of Turin (Italy), Moscow State Institute of International Relations (under the Russian Ministry of Foreign Affairs) and Gubkin Russian State University of Oil and Gas. Under agreements reached in December 2017, the first renewable energy training module of the University of Turin was offered as part of the professional retraining program "Practical Engineering and Oil and Gas Production Technologies" at Gubkin Russian State University of Oil and Gas.

Talent pool program

Rosneft is committed to developing the corporate and management competencies of employees in its talent pool. The talent pool program is designed to identify and retain the best people by offering them opportunities for career development and growth.

Personnel committees chaired by Rosneft top managers met in 2017 and updated the talent pool for designated first-tier management positions.

A milestone in 2017 was the creation of a talent pool at subsidiaries of Bashneft, following corporate methodology, that fully covered target second- and third-tier positions and partially covered first-tier positions.

Rosneft's system-wide talent pool efforts in 2017 included the following initiatives:

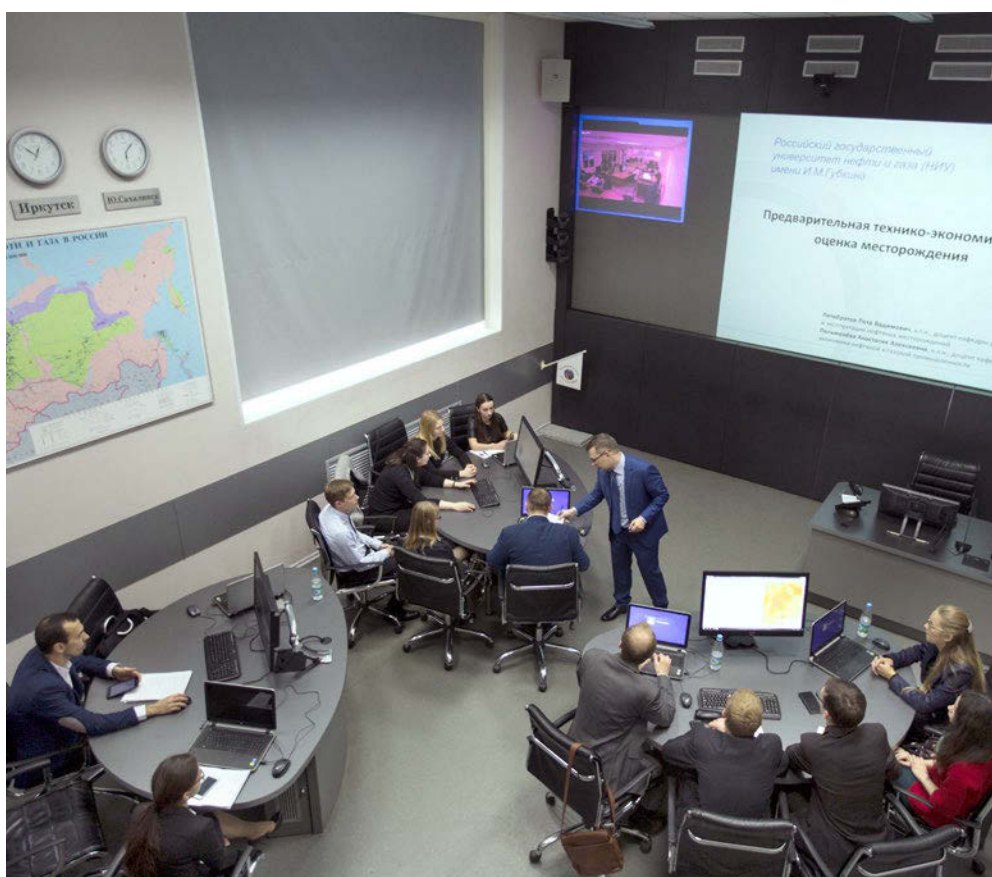
- as part of the talent-pool automation process, maintenance of talent pool data was developed as a function in corporate information systems
- a multi-tier competency evaluation system was set up to aid in selecting pool members and in mapping their development priorities and individual development plans 7,000 employees have been evaluated since the start of 2017
- talent pool members studied in corporate MBA programs at the International Institute of Economics and Law of Moscow State Institute of International Relations, the Higher School of Management and Gubkin Russian State University of Oil and Gas and as well as took courses to develop their management competencies

A total of over 3,000 talent pool members received instruction in 2017.



7,000
EMPLOYEES

were assessed using a multi-tier competency evaluation system



Work with young professionals

Systemic work with young professionals is one of the top priorities of Rosneft's people policy. Rosneft strives to ensure an ample supply of talent by training the best university graduates to become highly qualified professionals and by facilitating their orientation at individual companies.

In 2017, 108 Group entities employed 4,161 young professionals,⁵⁴ 1,437 of whom were hired in that year.

For more effective work with young professionals, the Company updated its regulation on work with young professionals in 2017.

Training and career growth are aligned with young professionals' individual development plans. 3,847 man-courses were provided in 2017 as part of programs to develop the professional and management competencies of young professionals. Councils of young professionals and a mentoring program help recent graduates adapt smoothly at Group entities. Young professionals are mentored in accordance with the Company's regulation on work with young professionals, which states that a mentor is to be assigned to each young professional. Over 2,000 experienced employees

mentored young professionals at Group entities in 2017. Mentors' tasks include helping young professionals adapt to their jobs and corporate culture, develop professionally and prepare for higher professional, white-collar and management positions. The regulation envisages special orientation events for young professionals, including an introductory course, a series

of meetings with enterprise and department managers, team-building training and an oil worker initiation ceremony. entities took part. As a result of the games, 119 professionals were recommended, because of their aptitude for corporate and management competencies, to the pool of young talent and for further training in the Three Steps Program. In addition, 62 young professionals who won the 2016 games received training.



of meetings with enterprise and department managers, team-building training and an oil worker initiation ceremony.

The traditional business games were held in 2017 in order to identify young professionals with leadership potential and form a strategic reserve of young talent, and 349 young professionals from 72 Group

YOUNG PROFESSIONALS AT ROSNEFT

Period	2015	2016	2017
Number of young professionals hired after they completed their higher education	1,398	1 273	1 437
Number of young professionals in the Company	3,810	4 027	4 161
Number of young professionals who participated in science and technology conferences	1,632	1,853	2 072
Expenditures on corporate programs targeting young professionals, RUB million	84.3	94.5	102.7

⁵⁴ An employee of a Group entity who is classified as a "young professional" and meets the following criteria: graduated from a full-time program at a state-accredited university with a bachelor's degree, professional qualification (engineering) or master's degree; is employed for the first time in this specialization; was hired by the Group entity within one year after graduation as a result of a competitive selection process; was hired for a managerial, professional, white-collar or blue-collar position in his/her primary area of activity.

Science and technology conferences

Rosneft's annual science and technology conferences are among the most effective ways of working with the company's young professionals and assessing their potential. Conferences are held in three stages: regional, cluster and interregional.

2,072 young professionals took part in 2017, and 88 of these emerged as winners at the concluding 12th Interregional Workshop, held at Lomonosov Moscow State University, one of Rosneft's key partner schools. 301 young professionals from 64 Group entities took part. 61 projects entered in the workshop were recommended for implementation at Rosneft.

For example, as part of the project "Implementation of a Hydraulic Fracturing Design Model for a Corporate Simulator," young professionals at RN-UfaNIPIneft (part of the corporate research and design cluster) did research to develop mathematical models for use in the RN-GRID corporate hydraulic fracturing simulator. A hydraulic fracturing simulator is specialized software for mathematical modeling and engineering analysis of the fracturing process. It allows fracture geometry to be calculated based on seam structure, the geomechanical properties of the rock and the parameters of fluid and proppant injection. The RN-GRID corporate hydraulic fracturing simulator is used at RN-GRP, which forms part of the Company's internal service cluster and carries out hydraulic fracturing work.

Also, thirty projects recommended on the basis of the 2016 workshop were implemented at 15 Group entities in 2017. As a result, an additional 235,000 tons of oil were produced, yielding an economic effect of RUB 395 million.

Training of young engineers in the exploration and production segment

Work continued in 2017 on a comprehensive program of career planning and training for young engineers in the exploration and production segment. Program incentives include the following:

- In the area of drilling, the first group of young engineer trainees continued the Rosneft Drilling Supervision and Engineering Program (20 employees at 6 Group entities); a second group, formed for training in 2017-20 (30 employees at 15 Group entities), completed the first module in December.
- In the area of production, an oilfield chemistry professional retraining program was designed and launched, and 30 employees at 19 Group entities successfully defended their graduation projects.
- In the area of geology, a professional retraining program in sedimentology and sequence stratigraphy was developed and approved, and 16 employees at 10 Group entities began the course; professional retraining programs were designed for the positions of seismic analyst and GIS petrophysics seismic-support analyst.
- In the offshore area, professional retraining programs were developed and approved for the positions of offshore drilling supervisor and offshore drilling professional; two training groups were formed (a total of 26 employees at 11 Group entities).
- In the processing area, work continued on the design and approval of the professional retraining programs in geological modeling, hydrodynamic modeling and project management.



**30 PROJECTS
RECOMMENDED FOR
IMPLEMENTATION AT THE
2016 INTERREGIONAL
WORKSHOP RESULTED IN THE
ADDITIONAL PRODUCTION OF**

235,000

TONNES OF OIL

RUB 395

MILLION

in total economic effect



Rosneft Class at Secondary School №6 in Saratov. The fifth graduation program will be completed in 2018

2,615

SECONDARY SCHOOL STUDENTS

enrolled in 111 Rosneft Classes in 2017

Work with youth in local communities

In 2017 Rosneft continued its corporate continuing education system, School–University–Company, working actively with young people not only in the Company’s regions of operation but throughout Russia. The program’s main objectives are:

- to create an external talent pool and ensure a steady influx of highly educated young people with solid professional training
- to support the university education of talented students, including Rosneft Classes graduates, and potentially bring them into Rosneft as new hires

To promote the School–University–Company system and to support participating educational institutions, Rosneft and Group entities provide charitable assistance to schools, technical schools, colleges and universities. This assistance goes toward:

- Establishing and supporting Rosneft Classes, including costs for further education, upgrading the qualifications

of instructors, acquiring equipment for dedicated rooms and career guidance. These expenditures came to RUB 180.6 million in 2017.

- Development of partnership relations with vocational and higher educational institutions, including the updating of education programs, the maintenance of specialized departments and master’s programs at partner universities, the development of infrastructure and the academic capabilities of educational institutions, scholarships for gifted students and grants for teaching staff. These expenditures totaled RUB 870.3 million in 2017.

Rosneft Classes

Rosneft contributes to the system of pre-university education and career guidance by offering specialized Rosneft Classes in Russia’s regions. These classes, offered with the support of Group entities, help secondary school students obtain a good general education so that they can go on to

pursue university engineering degrees that are in demand in the oil and gas industry and ultimately be hired by Rosneft after graduation.

In 2017 a total of 2,615 secondary school students were enrolled in 111 Rosneft Classes in 58 general education schools in 52 cities and settlements in 25 regions of the Russian Federation.

1,179 young people completed Rosneft Classes in 2017, and 1,108 of these went on to university. The project’s effectiveness can be gauged by the frequency with which Rosneft companies hire graduates of Rosneft Classes who receive specialized higher education. 97 young graduates of Rosneft Classes were hired by Group entities in 2017.

Rosneft Classes achieve high results by means of advanced instruction in physics, mathematics and natural science and additional education in career-specific subjects. Lecturers from partner universities teach

the career-specific subjects, and this ensures high-quality instruction and enhances graduates' professional level and competitiveness in applying to universities.

To upgrade the qualifications of school directors and teachers involved in Rosneft Classes, the Company holds annual seminars led by teaching staff from the country's leading universities.

At the start of the school year, students taking Rosneft Classes participate in a major corporate event: the Ladder to Success Seminar. The event's format was changed in 2017, and each school offering Rosneft Classes became a seminar venue. A total of 52 seminars were held in 2017 for 2,606 tenth- and eleventh-graders in 8 federal districts.

Partnership with universities

Partnerships with leading Russian universities are being actively developed as part of the School–University–Company program of continuing education. In 2017 the number of universities with which Rosneft and Group entities have signed long-term package agreements grew to 58, of which 22 are partners of Rosneft. The Company's new partners in 2017 were the Polytechnic University of Turin (Italy), Kazan (Volga) Federal University and South Ural State University (National Research University).

Agreements with universities are a basis for partnership in the areas of employee training and retraining, research and innovation and



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LEADING INTERNATIONAL AND RUSSIAN UNIVERSITIES

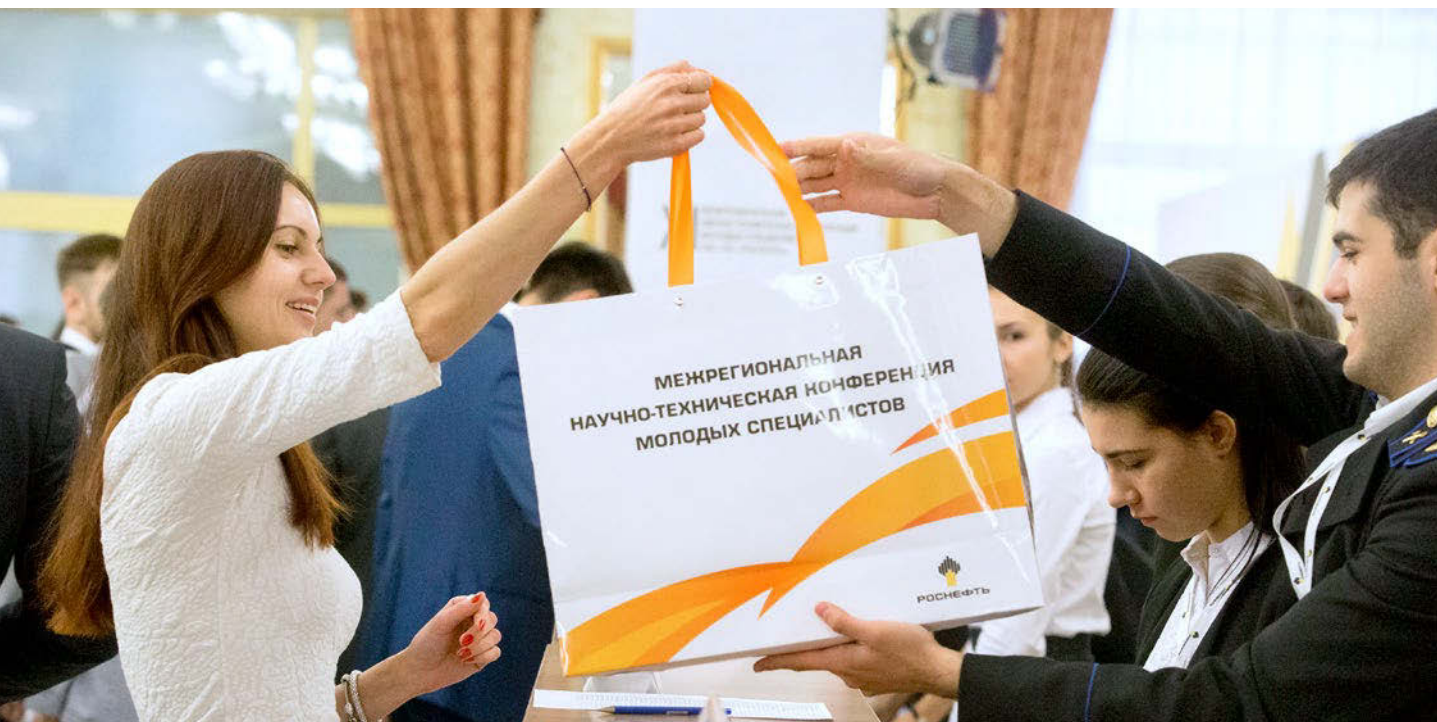
have signed long-term package agreements with Rosneft and Group entities

ROSNEFT CLASSES PROJECT			
Period	2015	2016	2017
Number of Rosneft Classes	98	105	111
Number of students	2,359	2,499	2,615
Investments in Rosneft Classes, RUB million	147.6	185.2	191.1

TEACHER TRAINING: "INTRODUCTION TO THE OIL AND GAS INDUSTRY"

In 2017 Rosneft, in cooperation with Gubkin Russian State University of Oil and Gas, held the first advanced teacher training course for educators teaching "Introduction to the Oil and Gas Industry" as part of the Rosneft Classes program. The training is designed to educate teachers about this subject and so make career guidance more effective for students in Rosneft Classes. The teacher training program was developed by Gubkin Russian State University of Oil and Gas at the Company's request to make teachers more knowledgeable about the oil and gas industry and prepare teachers of career-specific subjects to include career guidance in their lessons. The training was taken by 49 teachers from 42 cities in 24 constituent entities of the Russian Federation.



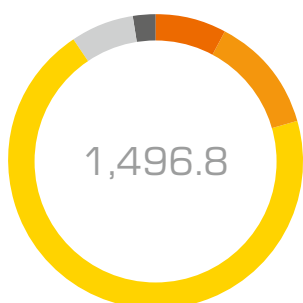


the development of university science infrastructure so that highly qualified specialists can be prepared to meet current business needs. Rosneft's partnerships with universities included the following efforts in 2017:

- 20 specialized academic departments, involving 57 Company employees
- A number of projects to develop university infrastructure in order to ensure the quality of professional training: a Rosneft Offshore Drilling Center was opened at Gubkin Russian State University of Oil and Gas, and Ufaorgsintez Petrochemical Process Technology Laboratory was created at Ufa State Petroleum Technological University
- Work continued to set up a Marine Engineering Science and Education Center at St. Petersburg State Marine Technical University and a Rosneft drilling laboratory at Tyumen Industrial University as well as to develop the Technology Training Center of St. Petersburg Academic University (Russian Academy of Sciences)
- Upgrading of the mining and petroleum department of Ufa State Petroleum Technological University was begun

PARTNERSHIPS WITH UNIVERSITIES			
Period	2015	2016	2017
Number of partner universities	47	54	58
Number of student interns	4 839	6 645	6 661
Expenditures on partnerships with universities, RUB million	769.4	908.8	1049.8

Financing of continuing education incentives in 2017, RUB million



- 117.4 ■ Skill upgrading programs at universities
- 191.1 ■ Training at the school level
- 1,049.8 ■ Partnership with universities (development of university infrastructure, internships, stipends and grants for instructors)
- 102.7 ■ Work with young professionals
- 35.8 ■ Conferences

- Financial support was provided for the creation of a cluster of interdisciplinary and convergent research on education as part of the Program for the Development of the Russian Academy of Education, 2017–20
- Some 100 professional and advanced professional training programs for Rosneft employees were updated
- 195 university staff members and 656 students received support in the form of corporate grants and scholarships
- Over 20,000 students took part in the Rosneft Days career guidance event
- Training and internships at Rosneft companies were offered to 6,661 students. In 2017 a long-term internship at Rosneft headquarters was established for 113 master's students at Rosneft partner universities

In 2017 Rosneft supported government education policy by working with the boards of regents and supervisory boards of 10 partner universities, the National Intellectual Development Foundation, Lomonosov Moscow State University's preparatory school for gifted children, the Russian Academy of Education and the Russian Security Council to promote the training of engineers for shipbuilding and ship repair enterprises; the Company's collaboration with MSU's preparatory school for gifted children included a seminar for directors of schools offering Rosneft Classes and the introduction of distance learning for students and teachers of Rosneft Classes was launched. Rosneft also provided support for expanding the capabilities of maritime universities in order to prepare highly qualified engineers for the shipbuilding industry and the navy.

PARTNERSHIP IN THE "CASE IN" INTERNATIONAL ENGINEERING CHAMPIONSHIP



In 2017 Rosneft was a partner of the "Case In" International Engineering Championship, the largest practice-oriented project for university students involving the solution of engineering cases.

In the preliminary rounds of the championship's oil and gas division, student teams at 10 partner universities competed in solving an engineering case based on materials provided by Rosneft. The panel of judges included over 60 representatives of Rosneft.

"Case In" identifies promising students at industry-related universities for the Company's external talent pool and helps to popularize engineering professions and involve the best students in solving current production tasks.

Victors and prizewinners took part in the 19th World Festival of Youth and Students, held in Sochi in October 2017.

RUB 16,2
MILLION
 of interest-free loans granted to Company employees in 2017

Education support for employees and members of their families

A key area of Rosneft’s corporate social policy in 2017 was the financing of intramural university education for employees and their children. In 2017, 223 Company employees were granted interest-free loans totaling RUB 16.2 million.

Creation of optimal working conditions

In 2017 Rosneft continued its systemic efforts to create quality working conditions at Rosneft production and support facilities. A key element was the enhancement of 97 rotation villages and trailer parks that housed some 35,000 employees of Rosneft and its contractors at the end of 2017.

This year saw the approval and implementation of a number of internal regulations setting

unified standards for the design, construction and use of rotation villages, including albums of standard technical solutions for rotation villages and modular (frame and panel) housing complexes as well as for support bases, areas and workshops. Guidelines also went into effect establishing unified technical requirements for the design of modular administrative and support buildings, modular trailers with various functions and heating units for rotation workers. A total of RUB 6,164.9 million was spent to ensure comfortable living conditions in rotation villages, regardless of their location.

In 2017 a number of inspections were done of providers of food, housing and other services in the Company’s rotation villages.

Costs for the maintenance and comprehensive servicing of work-related social facilities and for food and housing for the employees of Group entities came to RUB 8,004.2 million in 2017.

Quality living conditions

Rosneft’s corporate social policy places a high priority on a comprehensive housing program. Corporate mortgages and housing construction made

it possible for 829 families of employees to improve their living conditions in 2017.

Under the corporate mortgage program, the Company was successful in obtaining a substantial reduction in the rate charged by partner banks in 2017: by year end, the mortgage rate had been cut to 9.2% for program participants in 2017 as well as for employees who signed mortgage agreements in 2015-17 at a rate of 11.5%.

Rosneft also provides the families of highly qualified employees from other cities with corporate housing and reimburses the cost of apartments rented on the secondary housing market. An additional 370 families of employees were provided with corporate apartments in 2017, bringing the number of such apartments to over 1,300. In 2017 the program included updating the Regulation on Renting Corporate Housing and Standardizing the Corporate Housing Rental Agreement. The Company is also building houses to encourage highly qualified employees to take jobs in remote areas.



RUB 6,164.9
MILLION
 spent to ensure comfortable living conditions in rotation villages in 2017

Promotion of employee health

In 2017 Rosneft continued its successful employee health program of timely and high-quality medical services, wellness initiatives, treatment and recreation at sanatoriums and resorts, disease prevention and a healthy lifestyle.

Rosneft spent over RUB 500 million to promote its employees' health in 2017.

Occupational medicine

The Company is successfully applying unified standards of health care, emergency medical aid and evacuation at worksites.

System of health care and emergency medical aid

An important accomplishment in 2017 was the implementation of a program to upgrade air ambulance services for Company employees, including:

- regulation of the air evacuation procedure at worksites, depending on the nature of the business and the region of dislocation
- improved emergency medical services during air evacuation, achieved by purchasing additional medical and immobilization equipment

- 28 drills with a view to optimizing the stages of air evacuation at worksites of 12 Group entities
- To improve the system of health care and emergency medical aid at remote worksites, the Company formed an occupational medicine advisory board in 2015, including physicians responsible for the health care system at Group entities. The board's achievements included inspections of the health care system and emergency medical services at all Company medical stations.

In 2017, 61 inspections of medical stations were done at six Group entities, and 17 medical stations were inspected at Bashneft enterprises. These inspections formed the basis for an expert assessment of medical station equipment and the qualifications and practical skills of medical station personnel. Based on the findings, members of an expert panel worked with professionals from Group entities to develop correctives that are regularly monitored.

In 2017 the panel also oversaw drills held at all levels, a program at Group entities for the prevention

of cardiovascular disease and a program to upgrade air ambulance services.

To ensure the quality and effectiveness of medical services for Company employees, as part of a joint project with Lomonosov Moscow State University, Rosneft continued a program involving a comprehensive analysis of the quality and monitoring of employees' health in 2017. A comparative module was added to the information system being developed, allowing analytical information on employee health care and wellness for each entity to be visualized and health risks for Company personnel to be assessed and managed



> RUB **500**
MILLION

spent on employee health in 2017



28

DRILLS

held in 2017
to optimize the stages
of air evacuation
at worksites



and a practical module using mannequins to develop hands-on skills, followed by a practical exam.

In addition, videoconference training in modern standards of prehospital emergency care was provided for professionals in the relevant departments of Group entities and the staff of medical stations:

- three training courses on the topic “Cardiopulmonary and Cerebral Resuscitation: Intensive Prehospital Care in Cases of Circulatory Arrest” – 225 participants
- three training courses on the topic “Basic Procedures for Prehospital Care in Cases of Cardiopulmonary Resuscitation and Injuries” – 218 participants

Disease prevention

Disease prevention is an important part of Rosneft’s efforts to develop occupational medicine. Under a corporate program to prevent cardiovascular disease that was launched at 27 Group entities in 2017, 68,800 employees received medical checkups. Based on the results, some employees were given physicals, and outpatient or inpatient

Training of health care professionals

The Company puts great emphasis on providing guidance and support for Group entities’ health care professionals and the staff of medical stations. In 2017 field training in modern standards of prehospital medicine was provided at RN-Vankor for

46 professionals from 16 Group entities and medical institutions.

The training program, developed by the Department of General and Specialized Surgery of Lomonosov Moscow State University’s medical school, included a theory module on modern standards of prehospital emergency care involving air evacuation

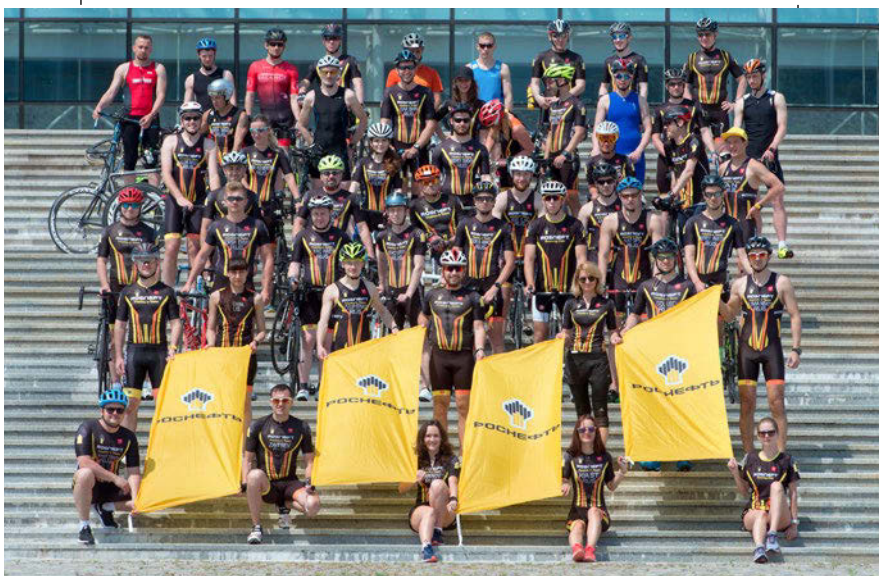
CORPORATE WELLNESS CONFERENCE

For purposes of enhancing the health care system for employees at remote worksites, a corporate wellness conference was held in 2017 in collaboration with the NIR Foundation (Lomonosov Moscow State University).

The conference, attended by professionals responsible for occupational medicine at 51 Group entities, covered the legal framework of emergency medical aid, scientific approaches to monitoring and analyzing the health care system, the prevention of occupational and general illnesses and monitoring of employee groups in the oil and gas production and processing industries.



THE “LIVE LONGER!” PROGRAM TO PROMOTE A HEALTHY LIFESTYLE



The successful “Live Longer!” program to promote a healthy lifestyle continued in 2017. The Company uses this unique program to make a positive impact on its employees’ health by reducing the incidence of disease, popularizing a healthy lifestyle and involving employees of various ages and fitness levels in athletic events.

Program initiatives at all Group entities fell into two main areas:

- Wellness: disease prevention and early diagnosis in order to maintain and build the health of Company employees and establish health as a core value
- Active lifestyle: popularization of an active lifestyle and broad involvement of employees in sports initiatives for an informed and responsible attitude toward personal health and fitness

Wellness included preventive measures for the early detection of disease. Wellness marathons were held by four offices of Rosneft headquarters and 127 Group entities.

Great progress was made in promoting an active lifestyle in 2017, especially by Rosneft sports clubs: running, GTO and CrossFit, Nordic walking, triathlon and speed skiing. The Company arranged for employees to take part in 36 external sports events in Moscow and Moscow Region, St. Petersburg, Nizhny Novgorod, Sochi, Kazan, Rybinsk and Suzdal. For example, 150 employees ran in the 2017 Moscow Marathon.

To build on current achievements and further promote a healthy lifestyle, a comprehensive five-year program – Live Longer! – was developed and approved in 2017 for the period of 2018-22.

treatment was arranged for the illnesses identified. Recommendations were also provided on the prevention of cardiovascular disease.

Sanatoriums and resorts

Treatment, rehabilitation and wellness programs at sanatoriums and resorts is a key component of social benefits for employees, members of their families and retired veterans of labor. In 2017 over 65,000 Rosneft employees improved their health at sanatoriums in Krasnodar Territory and resorts in Belokurikha, Bashkortostan and other regions of Russia.

In 2017, to optimize the use of funds that it provides for employee wellness programs, the Company, in collaboration with Sogaz – selected as corporate insurer for employees’ voluntary health insurance (VHI) plans as a result of centralized procurement procedures – continued a pilot project to use VHI mechanisms for employee rehabilitation and treatment at sanatoriums and resorts. As part of this project, over 12,000 employees of Group entities and members of their families stayed at spas and resorts on the Black Sea coast and in the Caucasian Mineral Waters region as well as at regional sanatoriums.

Since 2013 Rosneft has offered a wellness program in Cuba for employees and members of their families. In 2017, 2,155 employees of Group entities and members of their families vacationed and improved their health at Cuban resorts, and two new wellness programs for employees were developed and approved for 2018 in cooperation with Cuban partners.

Voluntary health insurance

Voluntary health insurance (VHI) is a key part of the benefits package provided to Rosneft employees. At the end of 2017, 274,000 employees were insured under VHI agreements and 295,000 under voluntary personal injury insurance agreements.

An important milestone in 2017 was the consolidation of Bashneft's insurance programs. On 1 October 2017 the entire staff of Bashneft's corporate center and subsidiaries was switched to VHI programs used by Rosneft Group entities. VHI efforts focus on improving the quality of service and expanding the range of medical services offered to employees under VHI policies and on involving the best regional health care facilities in Russia.

Important progress was made in 2017 in spreading the practice, at the procurement stage, of having terms of reference require that contractors enter into agreements for voluntary personal injury insurance so that their employees will be covered during their work for Rosneft Group entities. As a result of Group entities' efforts, voluntary personal injury insurance

for contractors' employees has become more common. Insurance benefits paid to an employee or members of an employee's family are often the only significant source of income for an injury victim or the family of a deceased employee. Contractors' employees generally lack social protection, including in the event of partial or full disability. In 2017, the process of introducing requirements that Bashneft contractors enter into agreements for voluntary personal injury insurance for their employees was initiated. The introduction of personal insurance requirements for contractors is to continue in 2018, including at the stage of procurement documentation, when a contractor is selected to perform production-related work.

Promotion of a healthy lifestyle and sports

For many years, Rosneft has made far-reaching efforts to develop sports and promote a healthy lifestyle among its employees and in local communities. Annual summer and winter Spartakiads are an important part of these efforts. Rosneft corporate sports events promote an active way of life and give employees an

opportunity to demonstrate their athletic achievements.

25,000 employees of 92 Group entities took part in the 2017 Spartakiads.

The 7th Winter Spartakiad was held in Ufa at the Ufa Sports Center and Biathlon Sports and Recreation Complex, where 440 athletes on 25 teams representing the Company's subsidiaries and head office competed for medals in four sports: hockey, skating, skiing and luge relay. The Bashneft team – first-time entrants in the Rosneft Spartakiad – emerged as the gold medalists in terms of overall team score. The silver medal went to Samaraneftgaz and the bronze to last year's champion, the Angara united team.

At the finals of the 2017 Summer Spartakiad in Sochi, over 780 participants in 20 teams, representing Group entities in 9 regional zones from Khabarovsk to Ryazan, competed in 10 sports: indoor football, basketball, volleyball, tug-of-war, table tennis, chess, powerlifting (push-pull), track and field, Russian billiards and bowling. Samaraneftgaz took gold, followed by the Angara united team with



THE “ROSNEFT LIGHTS UP THE NIGHTS” FESTIVAL



In 2017 Rosneft held its 7th annual “Rosneft Lights Up the Nights” Festival, in which over 6,000 participants competed for the favor of the audience and judges in various categories: vocal, dance, instrumental, variety and circus, art and photography. In 2017, preliminary rounds were held at 117 Group entities, followed by local rounds in Ufa, Krasnoyarsk, Samara, Tuapse and Moscow. Employees of Bashneft and Targin took part in the festival for the first time.

The finals were held in the concert hall of the Cosmos Hotel. Over three days, the professional jury evaluated over 100 performances and entries in various categories and three age groups: 7 to 12, 13 to 17, and 18 and older.

The performances were notable for their innovative ideas and high level of professionalism. The level of talent increases markedly each year, and the festival is growing in importance as a cultural event, uniting several generations of oil workers in various cities and regions of the country.

The festival culminated in a gala concert, timed to coincide with Oil Workers’ Day and conceived as a theatrical journey through the Company’s regions of operation. The audience was treated to a variety of stories and features sharing a common theme: the unity of the Rosneft family and friendship between all festival participants.

silver, and Novokuybyshevsk Oil Refinery took the bronze.

Another important event in 2017 was the participation by 35 members of the amateur Rosneft Triathlon Team in the international Ironstar competition in Sochi. The Rosneft Triathlon Team is the biggest and most successful corporate team in Russia, uniting over 65 amateur athletes from various cities, who are divided into marathon, swimming and triathlon groups. To achieve the team’s ambitious goals, athletic facilities are rented jointly, a world-class trainer leads group sessions, and the season training schedule is professionally prepared.

A program to promote acrobatic rock and roll was also pursued in 2017. With the support of the Dancesport and Acrobatic Rock and Roll Federation, classes were offered to children of employees in Tyumen, Krasnodar, Samara and Ufa, and the united Rosneft team took part in the Russian national acrobatic rock and roll competition in Kazan.

Collective bargaining agreement

In 2017 Rosneft continued to work with employees to improve the Model Collective Bargaining Agreement for Group entities. The principle of freedom of association is a core value for Rosneft, which also recognizes workers' right to collective bargaining. In 2017, Rosneft made around 20 amendments to its model agreement to enhance social security for its workers, including an important amendment compensating the employees of Group entities for the difference between a temporary disability allowance and average salary.

Other amendments were aimed at extending social safeguards for:

- Retirees
- Employees (health resort treatment and recreation)



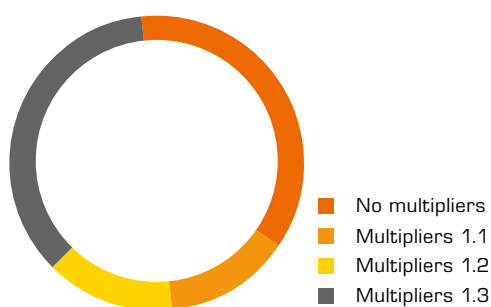
- Employees raising disabled children without a spouse
- Employees injured in accidents
- Employees working in the Far North

Corporate pension benefits and care for veterans

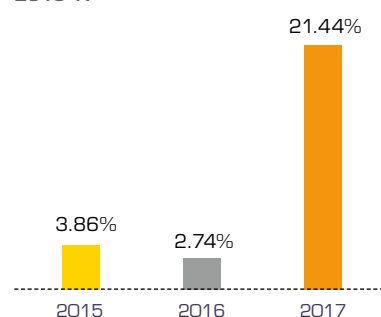
The corporate pension program that has been

in place since 2000 is an important means of enhancing the security of Rosneft employees. In 2017 Rosneft and Group entities paid a total of RUB 6.84 billion in pension contributions to Neftegarant Private Pension Fund, of which RUB 462.86 million went to the Veterans Social Support Project.⁵⁵

Use of multipliers in 2017



Percentage change in corporate pensions in 2015-17



PRIVATE PENSION SUPPORT

Period	2015	2016	2017
Rosneft's payments to Neftegarant under the pension plan, RUB million	5,380	5,175	6,843
Number of persons receiving corporate pensions	62,207	67,167	72,841
Pension payments, RUB million	1,706	2,001	2,196
Total value of personal pension plans with Neftegarant, RUB million	3,963	5,062	6,868
Number of persons with personal pension plans (cumulative total)	51,996	64,023	76,460
Number of Rosneft employees covered by the pension system	over 206,000	over 206,000	over 233,000

⁵⁵ Veterans are former employees who were employed at Rosneft or a Group entity for 10 or more years, who left before Rosneft or the Group entity concluded a corporate pension agreement with a private pension fund under a unified private pension program and who qualified for pension benefits under Russian law when their employment was terminated

The average monthly corporate pension rose to RUB 6,400 in 2016. Payments to Neftegarant in 2017 reached RUB 2.196 billion under two programs: the corporate pension program and the social support project for veterans. A total of around 72,800 people received private pensions in 2017: some 44,500 retirees and 28,300 veterans.

According to an analysis, the adoption of Rosneft's Private Pension Security Standard made such pensions considerably more attractive for employees. Newly introduced multipliers reflecting years of service increased pensions for 64% of employees, resulting in a 21% year-on-year rise in the average corporate pension.

As part of the standard's implementation, a number of training seminars were held in 2017 for employees involved in social work and deputy HR directors of Group entities. These included a seminar for 120 employees responsible for the corporate pension program, which focused on key challenges and enabling factors to support the program across subsidiaries and best practices depending on subsidiaries' core activities.

In addition, audio and video conferences were held for more than 100 Group entities to provide instruction and improve processes under the personal pension program.

Rosneft extends its corporate pension program to all its subsidiaries and affiliates, including those recently acquired. Full-scale implementation of the corporate pension program across Bashneft's entities was an important milestone in 2017. Contributions to Neftegarant Private Pension Fund under

the new pension agreements exceeded RUB 1 billion. Bashneft employees thus received additional social safeguards in the form of corporate pensions.

In 2017 Rosneft continued to implement its social support program for veterans, paying them monthly corporate pensions that were raised 5% as part of annual inflation adjustments. Rosneft also held holiday celebrations for veterans on the occasion of Victory over the Nazis in WWII, Oil and Gas Workers' Day and New Year's Day.

Partnership with trade union organizations

The Rosneft Interregional Trade Union Organization is a partner that plays a key role in the Company's personnel management and social policies.

As many as 236 grassroots trade unions of the Rosneft Interregional Trade Union Organization operated across the Group at the end of 2017.⁵⁶ The number of members

reached 199,537, or 82% of the Company's employees.

The tradition of annual meetings between representatives of Rosneft's HR and social segment and leaders of trade union organizations that form part of the interregional organization was continued in 2017. The 2017 meeting in Moscow focused on employees' concerns about compensation, incentives, salary adjustments, allowances, health resort treatment and health care. Trade unions raised a range of issues regarding the availability, quality and variety of work clothes.

In 2017, Rosneft made considerable progress toward building social partnerships in the industry and worked to establish relations with the All-Russian Association of Employers in the Oil and Gas Industry. Rosneft Group entities signed cooperation agreements with the association as the first step toward joining the Industry Agreement on Companies in the Oil and Gas and Infrastructure Construction Industries.



Over 100 activists participated in the Rosneft Interregional Trade Union Organization's Youth Festival held in Sochi in September 2017

⁵⁶ <http://www.mporosneft.ru>



**SOCIAL IMPACT
MANAGEMENT SYSTEM**

Rosneft was one of Russia's largest taxpayers in 2017. The Company is active in carrying out socioeconomic programs in its regions of operation and also finances a number of charity projects. Rosneft takes a systematic approach to social investments. In its charity programs, support for local regions and other efforts, the Company adheres to a strict anti-corruption policy.

**SOCIAL PERFORMANCE
IN 2017**

Regional partnerships

Rosneft carries out a large number of socially oriented projects in its key regions of operation. This helps to create favorable economic, legal and organizational conditions for broad regional development and to promote the Company's business in constituent entities of the Russian Federation.

Regional projects are largely financed under partnership agreements with administrative bodies in regions of key importance for Rosneft. Such framework agreements are concluded for a period of several years. Obligations relating

78

AGREEMENTS

**with government bodies
were in force in Rosneft's
regions of operation
in 2017**

RUB

6,668

MILLION

**spent by Rosneft
to finance socioeconomic
partnership agreements
with regional authorities
across Russia in 2017**

to specific regional projects are included in addenda.

In 2017 a total of 78 such agreements were in place with government bodies in Rosneft's regions of operation. The following were signed in 2017:

- Partnership agreements between Rosneft and official representatives of Kursk Region, the Republic of Bashkortostan and the Udmurt Republic
- Addenda to cooperation agreements between Rosneft and the Irkutsk, Orenburg, Samara, Kostroma and Tver regions, Stavropol Territory, the Chechen Republic and the republics of Ingushetia and Sakha (Yakutia)

Rosneft spent RUB 6,668 million to finance socioeconomic partnership agreements with various regions in 2017. Under current agreements with government bodies in Rosneft's regions of operation, Rosneft and Group entities financed various publicly funded institutions and social organizations, including for the following projects:

Republic of Ingushetia

- construction and repair of water mains
- construction of an athletic complex in Malgobek.

Krasnodar Territory

- construction and improvement of public facilities in Tuapse

Khanty–Mansi Autonomous District–Yugra

- construction, reconstruction, major repairs, maintenance, equipping and improvement of the infrastructure of educational, cultural, athletic and sports institutions
- construction, reconstruction, repairs and improvement of roads, streets and grounds
- construction, reconstruction, major repairs and maintenance of utility, heating and water supply systems
- competitions and spectator sports events
- erection of a monument in Nyagan to victims of political repression
- support for the operation and improvement of the infrastructure of social and youth organizations
- measures to protect the public and territories against emergency situations and promote fire safety

Tyumen Region

- support for childhood disease prevention and the treatment and rehabilitation of children with life-threatening illnesses

- preservation and development of the culture indigenous peoples of the North
- construction of a chapel and a park with playgrounds in Uvat.

Stavropol Territory

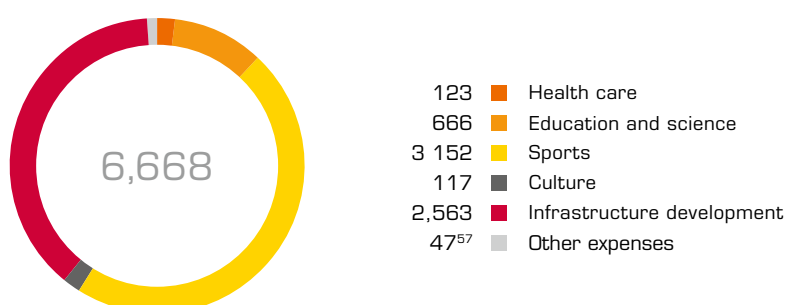
- maintenance and major repairs of a sports school, a center for out-of-school activities, a children's school of the arts, the infrastructure of Svetlyachok Recreation and Education Center, a library, preschool educational institutions and the Yasinov Regional History Museum
- landscaping of a secondary school's grounds

Orenburg Region

- socioeconomic development of Orenburg Regional Hospital: windows were replaced in the cardiovascular unit, and equipment was provided (endoscopy equipment, a multifunctional ultrasound diagnostic apparatus, an ophthalmic surgery microscope, a ventilator, an anesthesia machine, ENT operating equipment and an aerosol disinfection device).

Period	2015	2016	2017
Financing of regional social projects	4,069.1	2,403	6,668

Financing of regional social projects by area, RUB million



⁵⁷ Data on several charity projects taken from Company's annual reports 2016-2017 do not include charitable support for universities, pre university education or the Veterans Council.



RUB
2,671
MILLION

spent by Rosneft
on charity projects
in 2017

Charity

Rosneft engages in charity work under the Federal Law “On Charity” and the company’s 2016 “Procedure for Charitable Activities of Rosneft and Group entities.”

In selecting specific projects and initiatives for funding, Rosneft gives priority to social and infrastructure projects that have the maximum social impact and directly affect the quality of life of local communities,

including the employees of Group entities. Charity projects are undertaken by decision of an authorized Rosneft management body in accordance with the approved business plan.

The Company spent a total of RUB 2,671 million⁵⁸ on charity projects in 2017. Key projects in 2017 included donations to:

- the State Academic Mariinsky Theater to support the theater’s touring companies
- the Federation of Jewish Communities in Russia for the upkeep of the “Children of the Future” boarding school
- the Open Hearts Association of Parents for the Rights of Children with Special Needs to purchase medical equipment for Krasnoyarsk Territorial Hospital
- the National Council of Veterans of the Russian Airborne Forces for events to mark the 87th anniversary of the Airborne Forces

OPENING OF A SPORTS AND RECREATION CENTER IN NEFTEYUGANSK

A new sports and recreation center in Nefteyugansk was formally opened. Under a partnership agreement with the government of Khanty–Mansi Autonomous Okrug–Yugra, Rosneft financed the construction of an indoor ice arena with an area of 60 by 30 meters.

The latest technologies were used, and the ice is kept frozen automatically. The new rink is designed to be a center of city social life as well as allowing athletes to train regularly in comfortable conditions. Young hockey players are already using it, and there are plans for figure skating sections and skate rental. The ice arena is equipped to meet all modern technical requirements and makes it possible to hold sports events year-round at the regional level. The new center should give a fresh impetus to winter sports in the region.

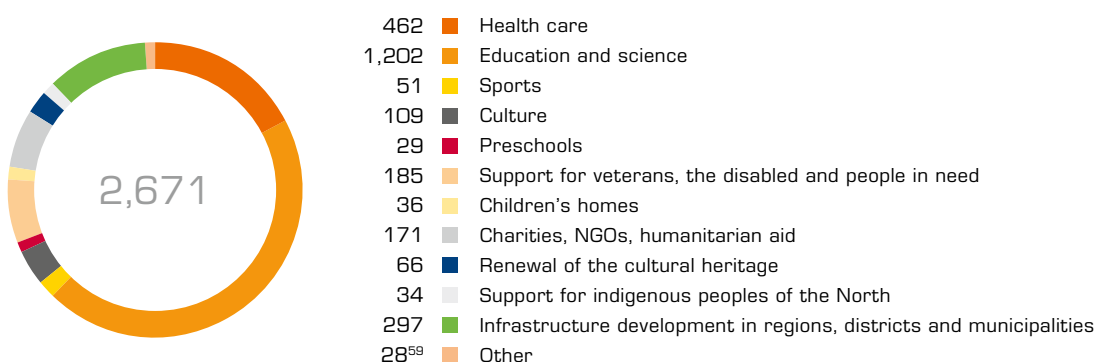


⁵⁸ Data on certain charity projects disclosed in the Annual Report for 2017 do not include charitable support for universities, pre-university education or the Veterans Council

- the Anatoly Granov Charitable Foundation for the Support of Modern Medical Technologies to fund a monument to Anatoly Granov, provide scholarships for graduate students and medical residents at the Russian Scientific Center for Radiology and Surgery Technologies and to promote activities in the fields of bioradiology, medical genetics, genetic engineering, surgery, transplantology, oncology, nuclear medicine and the creation of information resources
- for the development of science and medicine
- the National Medical Chamber to support the Congress “Russian Health Care Today: Problems and Potential Solutions”
- the Permafrost Natural History Museum for repairs to the museum’s main building, cameras, facade, underground depository, drainage system, etc.
- the administration of Gubkinsky to support social projects and initiatives to keep children and students engaged.

Period	2015	2016	2017
Charity expenditures ⁶⁰	2,282.5	1,879.3	2,671

Financing of regional social projects by category, RUB million



CONSTRUCTION OF AN ICE ARENA IN IZLUCHINSK

With Rosneft’s support, a new ice arena was built in Izluchinsk, Khanty–Mansi Autonomous Okrug–Yugra.

This is the first indoor rink with synthetic ice in Nizhnevartovsk Region. With an area of over 3,500 square meters, the new facility will accommodate up to 1,500 people on a daily basis. There will be hockey and figure skating sections, and the arena will also be open to local residents. The ice mats used are an ideal surface for all varieties of ice sport – hockey, curling, figure skating and speed skating – and energy consumption is 20% lower than for traditional surfaces



⁵⁹ Including support for retirees, low-income families, youth organizations, city events and social and agricultural institutions

⁶⁰ Data on several charity projects taken from Company’s annual reports 2016-2017 do not include charitable support for universities, pre university education or the Veterans Council



Support for indigenous peoples of the North

Support for the indigenous peoples of the North is one of Rosneft’s traditional charity focuses. For many years, Rosneft has promoted the economic development of the indigenous peoples of the North,

funding purchases of equipment for their traditional occupations and providing for housing construction and repair, social facilities and infrastructure. Another important focus is the preservation of the unique cultures and traditional lifestyle of northern peoples.

Key efforts to support the indigenous peoples of the North in 2017 included donations to:

- the administration of Uvat Municipal District of Tyumen Region for the socioeconomic development of indigenous peoples of the North
- the Union of Communities of Indigenous Peoples in Evenk Municipal District of Krasnoyarsk Territory,” a nonprofit organization of people engaged in traditional trades and crafts, to support the traditional economy of indigenous communities
- the administration of Evenk Municipal District in Krasnodar Territory for incentives including housing construction, support for reindeer-breeding enterprises and their employees, and design and estimate work for the construction of a bypass road around the Yurubcheno-Tokhomskoye field

UPGRADING MEDICAL INSTITUTIONS

As part of its charity program, the Company donated a set of modern medical equipment to Krasnoyarsk Territorial Veterans Hospital for endoscopic operations and laboratory research. The hospital is Krasnoyarsk Territory’s leading institution for the treatment and rehabilitation of war veterans and equivalent patient categories. Each year over 6,000 people are treated in the hospital’s in-patient facility, and around 47,000 residents of the territory use its out-patient services. The new equipment will substantially increase the quality of patient diagnostics.

Rosneft also donated new equipment to Krasnoyarsk Territorial Maternity and Childhood Center No. 2 to support its medical rehabilitation program for children with musculoskeletal problems, including a Buffalo standing aid, a kinesiotherapy system and an exerciser for knee and hip joints. This equipment will help enhance the medical rehabilitation of children. Around 300 children will be able to participate in the program every year.



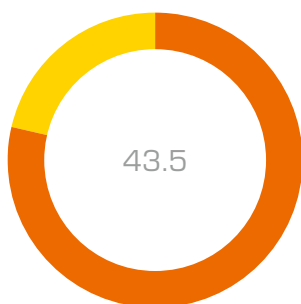
- Siberian Federal University for the Evenk Reindeer environmental project
- the Union for Assistance to Indigenous Peoples in Irkutsk Region (Irkutsk Regional Social Organization) to help indigenous communities in Katanga Region develop and preserve their traditional forms of economy
- the administration of Pur Region for purchases of equipment, stocks and supplies, fuel, lubricants and other items needed by the fishers and reindeer herders of Pur Region
- the administration of Krasnoselkup Region for social initiatives and programs, including support for indigenous peoples of the North

FOUNDATION FOR THE SUPPORT OF THE INDIGENOUS PEOPLES OF THE NORTH, SIBERIA AND FAR EAST



The Foundation for the Support of the Indigenous Peoples of the North, Siberia and Far East was founded in 2017 by the Russian Association of the Indigenous Peoples of the North, Siberia and Far East. The foundation is funded by voluntary contributions and donations from sponsors, partners and the Russian constituent entities in which indigenous peoples live. The collected funds are used to support the association’s projects and key initiatives, including the development of regional and international partnerships and a variety of projects in the legal sphere.

Financing to support the indigenous peoples of the North, RUB million



Period	2015	2016	2017
Expenditures to support the indigenous peoples of the North	54.1	48.2	43.5 ⁶¹

- 34.3 ■ Expenditures for supplies and equipment
- 9.2 ■ Expenditures to preserve native culture and for wellness programs

ASSISTANCE FOR THE OKA NATURE RESERVE

In 2017, Rosneft provided assistance to the Oka Nature Reserve to finance the purchase of unmanned planes for wildlife protection and monitoring. These planes will also help with early fire detection in protected areas. The Group has worked with the Oka Nature Reserve on a social and charity program since 1999. Under this program, Ryazan Oil Refining Company helped the reserve repair its museum and visitor center, upgrade the transport fleet, publish its researchers’ papers and buy feed for animals.



⁶¹ Including RUB 9.5 million included in expenditures to support regional social services



Sponsorship

Rosneft and Group entities engage in sponsorship under Russian law and the Regulation on Sponsorship at Rosneft and Group entities. The Company is strongly committed to social responsibility, making a considerable contribution to Russia’s socioeconomic development by supporting large-scale projects to promote Russia’s cultural and national values, science, culture, industry, education and amateur and professional sports.

Rosneft annually receives over 500 requests to sponsor various projects. Rosneft spent a total of RUB 1,216 billion on sponsorship in 2017.

The Company acted as a sponsor for 12 Russian and foreign business forums, exhibitions and conferences. Rosneft has long been a general sponsor for many high-profile events in Russia such as the St. Petersburg International Economic Forum, the Eastern Economic Forum, the International Arctic Forum “The Arctic: Territory of Dialog” and the Russian Energy Week International Forum.

The Company is also committed to promoting amateur and professional sports as a sponsor of Russia’s CSKA ice hockey club and the Arsenal Football Club. In 2017 Rosneft provided financial assistance for international

sambo tournaments held in Russia and abroad, including in Columbia, Serbia, South Korea and the UK, and supported an auto rally featuring the Lada Sport Rosneft team.

Rosneft also gives high priority to reviving and promoting partnership ties between business and culture. In 2017 Rosneft continued its collaboration with the Shostakovich St. Petersburg Academic Philharmonic and St. Petersburg’s Boris Eifman State Academic Ballet Theater. Thanks to the Company’s sponsorship, the Philharmonic organized the Square of Arts and Music Collection international festivals, featuring Russian and foreign artists

THE 14TH BOXING WORLD CUP FOR OIL-PRODUCING COUNTRIES

Rosneft and its subsidiaries are active in supporting popular sports their regions of operation. The 14th Boxing World Cup for oil-producing countries was held in Nizhnevartovsk with the support of Rosneft. More than 140 boxers representing 16 countries, including Russia and other Soviet successor states as well as countries outside the CIS participated in the championship in memory of Farman Salmanov, the pioneer discoverer of oil in Siberia. Men competed in 10 weight classes, while women competed in four classes. Matches were held according to the rules of the International Boxing Association (elimination after the first defeat).



RUB

1,216

BILLION

spent by Rosneft
on sponsorship in 2017

and went on an international tour in the US and seven European cities, while the ballet theater toured five Russian cities: Krasnodar, Khabarovsk, Vladivostok, Krasnoyarsk and Surgut.

In 2017 Rosneft signed on as a partner of the “Rosneft in KidZania” project, displaying replicas of drilling rigs, oil refineries and filling stations in an interactive city for children, the largest KidZania in Europe. The idea is to show children in simple terms how oil companies operate and how oil is processed before it makes its way into a car tank. The project is aimed at promoting professions in the oil industry among the younger generation and building trust in the Rosneft brand.



In 2017 Rosneft was a general sponsor of the Bravo International Professional Music Awards Ceremony, instituted to recognize outstanding opera singers, ballet dancers and musicians in classical and pop genres. Rosneft also provided support for a large-scale education project that plays an important role in Russian and international culture as part of the 10th Moscow International Poetry

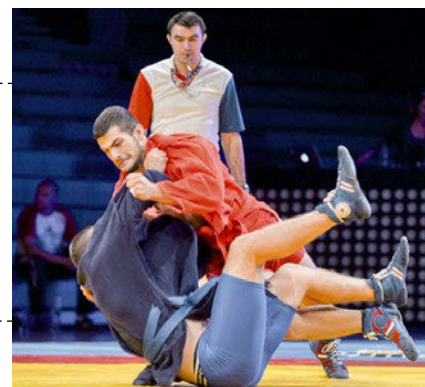
Biennale, which was attended by renowned Chinese poets.

Environmental protection and safety is also a high priority, and Rosneft makes a substantial contribution, focusing especially on the protection of rare species in the Arctic and other regions of operation. In particular, Rosneft continued to implement a comprehensive care program in 2017 for polar bears in Russian zoos.

THE WORLD SAMBO TOURNAMENT IN MEMORY OF ANATOLY KHARLAMPIYEV

Rosneft provided support for the World Sambo Tournament in memory of Anatoly Kharlampiyev at the Luzhniki Small Sports Arena in Moscow in March 2017.

Participants showcased their mastership, with men competing in combat sambo and women in sport sambo. Around 200 prominent athletes from 29 countries competed for the titles of world champion and international-class master of sports. The Russian team won the gold medal in women’s sport sambo as well as top spots in combat sambo. The Russian national team collected nine medals during the two days of the tournament.





Совершенство бизнеса,
улучшаем мир

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ОГРН: 127739707203
ИНН: 7709383532

Independent Assurance Report on the Sustainability Report 2017

To the Board of Directors and Stakeholders of Rosneft Oil Company

Subject matter

At the request of Rosneft Oil Company (hereinafter 'the Company') we have obtained a limited level assurance on the qualitative and quantitative information disclosed in the Sustainability Report 2017 of Rosneft Oil Company (hereinafter 'the Report') except for the following matters:

- ▶ Forward-looking statements on performance, events or planned activities; and
- ▶ Correspondence between the Report and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting developed by the International Petroleum Industry Environmental Conservation Association and American Petroleum Institute ('IPIECA/API'), Basic Performance Indicators issued by the Russian Union of Industrialists and Entrepreneurs ('RUIE'), and UN Global Compact principles.

Applicable criteria

The criteria of our engagement were the Global Reporting Initiative's Sustainability Reporting Standards (hereinafter 'the GRI Standards') and the sustainability reporting principles of Rosneft as set out in section 'About the report' of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

Management's responsibilities

The management of Rosneft is responsible for the preparation of the Report and for the information therein to represent fairly in all material respects sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2017 in compliance with the GRI Standards and the sustainability reporting principles of the Company that are described in section 'About the report' of the Report. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances.

Our responsibilities

Our responsibility is to independently express conclusions that:

- ▶ The information in the Report is, in all material respects, a fair representation of sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2017;
- ▶ The Report is prepared 'in accordance' with the GRI Standards using the Core option.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Summary of work performed

Our engagement was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by IFAC, and accordingly included the following procedures:

- ▶ Interviews with representatives of the Company management and specialists responsible for its sustainability policies, activities, performance and relevant reporting,
- ▶ Analysis of key documents related to Company sustainability policies, activities, performance and relevant reporting,
- ▶ Obtain understanding of the process used to prepare the information on sustainability performance indicators of the Company and other engagement circumstances by reviewing the reporting process used for preparation of sustainability reports,
- ▶ Analysis of stakeholder engagement activities via reviewing minutes of stakeholder meetings conducted by the Company,
- ▶ Benchmarking of the Report against sustainability reports of selected international and Russian peers of the Company and lists of sector-specific sustainability issues raised by stakeholders,
- ▶ Analysis of material issues in field of sustainable development identified by the Company,



- ▶ Identification of sustainability issues material for the Company based on the procedures described above and analysis of their reflection in the Report,
- ▶ Review of data samples regarding key human resources, energy use, environmental protection, process safety, health and safety, and charitable activities indicators for the year ended December 31, 2017 to assess whether these data have been collected, prepared, collated and reported appropriately at the central office level,
- ▶ Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report at the central office level,
- ▶ Assessment of compliance of the Report and its preparation process with Rosneft sustainability reporting principles, and
- ▶ Assessment of compliance of information and data disclosures in the Report with the requirements of the Core option of reporting 'in accordance' with the GRI Standards.

Our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information in the Report does not represent fairly, in all material respects, the sustainability policies, activities, events and performance of the Company for the year ended December 31, 2017 in accordance with the GRI Standards and sustainability reporting principles of the Company.

Nothing has come to our attention that causes us to believe that the Report is not prepared 'in accordance' with the GRI Standards using the Core option.

Signed:
D.E. Lobachev
Partner, General director,
Ernst & Young LLC

June 6, 2018

Details of the subject of the independent assurance

Name: Rosneft Oil Company
Entered in the Unified state register of legal entities August 12, 2002 and assigned state registration number 1027700043502.
Registered address and location: Russia, 115035 Moscow, Sofiyskaya emb., 26/1.

Details of the assurance provider

Name: Ernst & Young Limited Liability Company
Entered in the Unified state register of legal entities December 5, 2002 and assigned state registration number 1027739707203.
Registered address and location: Russia, 115035 Moscow, Sadovnicheskaya emb., 77, bld. 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Annex 1.

PROGRESS AGAINST THE 2017 OBJECTIVES SET IN THE 2016 SUSTAINABILITY REPORT. OBJECTIVES FOR 2018–20

Progress against the 2017 objectives set in the 2016 Sustainability Report

OBJECTIVE	PROGRESS
<p>Innovation</p>	
<p>Perform the activities included in the Innovation Program.</p>	<p>The Company completed all planned activities and met key performance targets established in its Innovation Program.</p> <p>An integrated key performance indicator (IKPI) is a core metric, which is used to measure performance in this area. IKPI reflects quantitative progress toward the set objectives of the Innovation Program and the status of relevant activities by assessing performance throughout the entire innovation life cycle, from in-house development/external procurement to implementation, monetization and quality assurance.</p> <p>The final rating for 2017 is 100%.</p>
<p>Environmental safety</p>	
<p>Ensure the operation and improvement of the integrated HSE system.</p>	<ul style="list-style-type: none"> ■ In 2017 the Company developed/updated the following internal regulations governing HSE processes: <ul style="list-style-type: none"> -Waste Management Standard -Standard on Remediation of Disturbed and Contaminated Land -Regulation on Responsibilities of Rosneft and Group Entity Employees in the Area of Industrial and Fire Safety, Occupational Health and Environmental Protection -Regulation on Preparing and Submitting Periodic Reports on HSE Performance -Technical Requirements for Portable Measuring Devices for Oxygen, Toxic and Combustion Gases -Regulation on Rosneft's Committee on Health, Safety and Environment and its Subcommittees -Regulation on Traffic Safety Management System -Regulation on Industrial Safety Management System -Guidelines on Firefighting Equipment and Other Firefighting Resources at Company Sites -Technical specifications: a collection of 52 technical specifications for protective clothing ■ Corporate-level internal audits on the integrated HSE system were conducted as scheduled. <p>Two more Group entities – Samotlorneftegaz and RN-Lubricants – were included in the perimeter of the integrated HSE system in 2017. The Company completed the activities planned for 2017 as part of a wider program to align corporate practices with the requirements of ISO 14001:2015. The integrated HSE system's ISO 14001:2015 and OHSAS 18001:2007 certification process is to be extended in 2018 to cover more Group entities.</p>

OBJECTIVE	PROGRESS
Perform the activities planned for 2017 as part of the Environmental Management Efficiency Program for the period until 2025.	The activities planned for 2017 were completed. These activities are described in reports prepared by business units that were audited as part of an assessment of progress on the Long-Term Development Program.
<p>Perform the activities aimed at preserving a healthy and sustainable environment in the regions where the Company has a presence:</p> <ol style="list-style-type: none"> 1. Meet current environmental obligations in a timely manner (reduce the area of disturbed lands, production and consumption waste and accrued waste, and reintroduce it into the economic cycle). 2. Reduce damage to the Company's sites caused by third-party activities until it is completely eliminated. 3. Protect water bodies, decrease water consumption by increasing the share of reused water in total water used for production, and reduce industrial pollutant load in wastewater. 4. Protect the air, reduce total pollutant emissions. 	Activities were performed as part of the Environmental Management Efficiency Program.
Contribute to the development of Best Available Techniques (BAT) reference documents to be finalized by the Russian Ministry of Energy and the Russian Ministry of Natural Resources in 2017 through the involvement of Company employees.	Company employees from the Exploration and Production and Natural Gas business segments contributed to the development of BAT reference documents dealing with oil and gas production and processing.
Ensure the establishment and operation of subordinate organizations of corporate research and design institutes responsible for environmental protection in order to examine and implement best practices and methods of manufacturing goods, performing work or providing services.	The Company put together a five-year program to support its SamaraNIPIneft-based Specialized Ecology Institute; the program was prepared with the involvement of relevant functions and business units, and covers six areas for developing the Institutes's competencies.
Implement programs/action plans aimed at preserving biological diversity, including for the purposes of offshore projects in the Arctic region.	<p>Programs/action plans aimed at preserving biological diversity, including for the purposes of offshore projects in the Arctic region, were implemented.</p> <ul style="list-style-type: none"> ■ The following research activities and procedures were performed in 2017 under the program for the preservation of the biological diversity of marine ecosystems at Rosneft's license areas in Russia's Arctic region: <p>Processing of data from camera traps set at polar bear appearance and maternity denning sites, and at walrus haulout sites on Wrangel Island, Bennett Island and the Bolshiye Oranskiye Islands to study the populations of polar bears and walruses. In-house processing of biological materials.</p>
Develop and implement a package of measures to raise environmental awareness among Company employees.	Environmental awareness initiatives were performed as part of the Year of Ecology program.
Develop and implement locally adapted methodological guidelines for the quantitative assessment of greenhouse gas emissions.	Methodologies for estimating greenhouse gas emissions were adopted by the government (e.g., Quantitative Greenhouse Gas Emission Estimation Methodologies for Organizations Engaged in Business and Other Activity in the Russian Federation, approved by Order No. 300 of the Russian Ministry of Natural Resources of 30 June 2015).

OBJECTIVE	PROGRESS
Occupational health and safety	
Take measures to develop/update internal OHS regulations as scheduled.	<p>In 2017 the Company developed the following internal regulations governing OHS processes:</p> <ol style="list-style-type: none"> 1. Standard on Remediation of Disturbed and Contaminated Land 2. Regulation on Responsibilities of Rosneft and Group Entity Employees in the Area of Industrial and Fire Safety, Occupational Health and Environmental Protection 3. Technical Requirements for Portable Measuring Devices for Oxygen, Toxic and Combustion Gases 4. Regulation on Rosneft's Committee on Health, Safety and Environment and its Subcommittees 5. Regulation on Traffic Safety Management System 6. Regulation on Industrial Safety Management System 7. Technical specifications: a collection of 52 technical specifications for protective clothing <p>Updates were made to the following internal regulations:</p> <ol style="list-style-type: none"> 8. Waste Management Standard 9. Regulation on Preparing and Submitting Periodic Reports on HSE Performance 10. Guidelines on Firefighting Equipment and Other Firefighting Resources at Company Sites <p>Regulations referred to in items 1, 5, 8, 9 and 10 above also apply to subcontractors.</p>
Implement the Program of Enhanced Job Safety and Informed Leadership in Occupational Health and Safety.	The program's activities were performed in line with the priorities set for 2017.
Reduce the incidence rate of non-fatal injuries per million hours worked.	The Company's OHS initiatives resulted in improved reporting, with transparency rate rising by more than 100% since the beginning of 2017. This had a positive impact on incidence rates, with serious injuries falling by 20% against a growing total number of injuries (LTIF = 0.36). The fatal injury rate dropped by over 50% year on year.
Perform the ISO 14001 and OHSAS 18001 compliance audit on the integrated HSE system.	An unqualified opinion was issued to confirm the validity of the certificate.
Employees	
Continue to roll out the Unified Corporate HR, Compensation and Social Development Template.	<p>The Unified Corporate HR, Compensation and Social Development Template was rolled out on a unified information platform at 10 Group entities with a total over 20,000 employees in Samara Region and southern Russia.</p> <p>A new rollout project got under way in September 2017 at 26 Group entities employing a total around of 45,000 people.</p>
Continue to develop and implement standard organizational/functional structures for the corporate functions of Group entities.	14 standard organizational/functional structures were implemented across Group entities as at 31 December 2017. Another 5 structures for implementation by the end of 2018 are currently pending approval.
Update methodologies used to calculate labor efficiency indicators for Group entities, the Company's core business segments, and the Company as a whole. Implement updated methodologies in Group entities and the Company's head office divisions to improve labor productivity.	<p>With its continued focus on improved labor productivity in 2017, Rosneft updated its estimation methodologies to assess labor productivity at the level of the Company as a whole, core business segments, and individual entities forming part of core business segments. The productivity growth target for 2017 was met across the Company (for comparable sites). Rosneft has an action plan to improve labor productivity which forms part of its Long-Term Development Program. Progress under the action plan is reported on an annual basis. As part of annual business planning procedures, the productivity metrics of individual entities within core business segments are used as an input for calculating and approving staffing needs.</p>

OBJECTIVE	PROGRESS
Continue to embed professional standards into the Company's operations.	Monitoring the implementation of state professional standards was added to the list of KPIs for executives in the Company and Group entities. The OHS Expert professional standard is mandatory for all Group entities, regardless of the nature of their business, and another 29 professional standards are mandatory for certain entities depending on the nature of their business.

Society

Continue engagement with local communities, including through agreements with local authorities on social and economic partnership.	In 2017 Rosneft signed partnership agreements with the governments of Kursk Region, the Republic of Bashkortostan and the Udmurt Republic, as well as addenda to cooperation agreements with the governments of Irkutsk, Orenburg, Samara, Kostroma and Tver regions, Stavropol Territory, the Chechen Republic and the republics of Ingushetia and Sakha (Yakutia). The parties are to cooperate on a number of specialized industrial, financial, investment and social programs.
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Objectives for 2018–20

2018	2019-2020
Innovation	
Perform the activities included in the Innovation Program.	Meet the KPIs set in the Innovation Program.
Environmental safety	
Put together a five-year action plan for achieving strategic HSE targets, and perform activities scheduled for 2018.	Achieve the Company's strategic HSE targets.
Occupational health and safety	
Achieve a year-on-year reduction in the incidence rate of non-fatal injuries.	Achieve the Company's strategic HSE targets.
Develop/update internal OHS regulations.	
Put together a five-year action plan for achieving strategic HSE targets, and perform activities scheduled for 2018.	
Society	
Continue engagement with local communities, including through agreements with local authorities on social and economic partnership	

Annex 2.

GRI CONTENT INDEX

Correspondence between this Report and GRI Sustainability Reporting Standards (2016), UN Global Compact principles, RUIE basic performance indicators for non-financial reporting (2008), and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API (2010).

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GENERAL DISCLOSURES					
General					
GRI 102-1	Name of the organization	Contact information		152	✓
GRI 102-2	Activities, brands, products, and services	The Company in 2017: general information		16	✓
	Primary products include oil, gas and refined products.				
GRI 102-3	Location of headquarters	The Company's head office is located in Moscow.		-	✓
GRI 102-4	Location of operations	The Company in 2017: general information		16	✓
	See the 2017 Annual Report (Sections 1.1. Assets and regions of operation, pp. 8-9, and 1.3. Company structure, pp. 12-13).				
GRI 102-5	Ownership and legal form	The Company in 2017: general information		16	✓
	See the 2017 Annual Report (Section 6. Information for shareholders and investors – 6.1. Share capital, p. 246)				
GRI 102-6	Markets served			-	
	See the 2017 Annual Report (Sections 1.1. Assets and regions of operation, pp. 8-9, and 1.3. Company structure, pp. 12-13; Appendix 1: Consolidated financial statements, Note 8: Segment information, pp. 278-279, Note 39: Key subsidiaries, pp. 298-299; Appendix 6: Audit report on the financial statements, Note 26: Segment information, p. 365).				
GRI 102-7	Scale of the organization	Key sustainability performance indicators Human resources		6-8, 94	✓
	See the 2017 Annual Report (Section 2.3. Business model, pp. 52-53, Section 2.2. Long-Term Development Program and progress report, p. 51; Appendix 1: Consolidated financial statements, Note 8: Segment information, pp. 278-279, Note 39: Key subsidiaries, pp. 298-299; Appendix 6: Audit report on the financial statements, Note 26: Segment-information, p. 365).				

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 102-8 RUIE – 3.1.1	Information on employees and other workers	Key sustainability performance indicators Human resources — HR management system — Staff composition		8, 95	✓
	Total workforce at the end of 2017, including: Permanent employees (93,807 women and 200,600 men) Temporary employees (8,643 women and 14,974 men) Full-time employees (101,605 women and 215,043 men) Part-time employees (845 women and 531 men).				
GRI 102-9	Supply chain			-	✓
	See the 2017 Annual Report (Section 2.3 Business model, p. 52)				
GRI 102-10	Significant changes to the organization and its supply chain	Message from the Chairman of Rosneft's Board of Directors Message from Rosneft's Chief Executive Officer, Chairman of the Management Board The Company in 2017: general information Corporate governance		2-3, 4-5, 16-31, 32-35	✓
GRI 102-11 UN GC Principle 7 IPECA-EN5, HS4	Precautionary Principle or approach			-	✓
	The Company considers it important to conduct an environmental impact assessment (EIA) that provides inputs for measures to mitigate any negative environmental impact from future operations. When planning and conducting EIA procedures, the Company adheres to the precautionary principle set out in the Rio Declaration on Environment and Development (Rio Declaration Principle 15. United Nations Conference on Environment and Development, 1992).				
GRI 102-12 RUIE – 3.3.4	External initiatives			-	✓
	In 2009, the Company joined the UN Global Compact and the Social Charter of Russian Business, and it has endorsed the Anti-Corruption Charter of Russian Business since 2013.				
GRI 102-13 RUIE – 3.3.5	Membership of associations			-	✓
	The Company is a member of the following initiatives and organizations: Union of oil and gas industry organizations, Russian Gas Society, Association of subsoil use organizations, National Association for Subsoil Examination, Russian National Committee for Pacific Economic Cooperation, Chamber of Commerce and Industry of the Russian Federation, Russian-German Chamber of Foreign Trade, Nonprofit Partnership Russian National Committee for UNEP (UNEP/COM), Association of Oil Refiners and Petrochemical Producers				
GRI 102-14	Statement from senior decision-maker	Message from the Chairman of Rosneft's Board of Directors Message from Rosneft's Chief Executive Officer, Chairman of the Management Board		2-3, 4-5	✓

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 102-15 IPECA-HS4	Key impacts, risks, and opportunities	Message from Rosneft's Chief Executive Officer, Chairman of the Management Board Key sustainability performance indicators Sustainability management Risk management and internal control Stakeholder engagement Occupational health and safety Environment Energy consumption and energy efficiency Emergency prevention and response readiness Human resources Society Annex 1. Progress against the 2017 objectives set in the 2016 Sustainability Report. Objectives for 2018-20		4-5, 6-8, 36-41, 42-47, 48-49, 65-71, 72-80, 88-89, 90-93, 94-119, 120-127, 130-133	✓
For more information, please visit https://www.rosneft.ru/					
GRI 102-16 UN GC Principle 10	Values, principles, standards, and norms of behavior	Sustainability management		36-41	✓
For more information, please visit https://www.rosneft.ru/Investors/corpgov/Sustainable Development Policy https://www.rosneft.ru/upload/site1/document_file/development_policy.pdf Code of Business and Corporate Ethics https://www.rosneft.ru/upload/site1/document_file/Kodeks_rus(2).pdf					
GRI 102-17 UN GC Principle 10	Mechanisms for advice and concerns about ethics	Sustainability management — Ethics management framework Sustainability management — Compliance framework		37-38, 38-39	✓
GRI 102-18 IPECA-HS4	Governance structure	Corporate governance		32-35	✓
See the 2017 Annual Report (Section 5 Corporate governance system, pp. 196-259, Section 5.3 Rosneft's Board of Directors, pp. 203-215).					
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate governance		32-34	✓
GRI 102-40	List of stakeholder groups	About the Report Stakeholder engagement		10, 48	✓
GRI 102-41 UN GC Principle 3 RUIE – 3.1.4 IPECA SE 15	Collective bargaining agreements	Human resources — HR performance in 2017 — Collective bargaining agreement		118	✓
76% of employees are covered by collective bargaining agreements.					
GRI 102-42	Identifying and selecting stakeholders	Stakeholder engagement		48-51	✓
The Company engages with all stakeholder groups which influence the Company's activities or which are influenced by the Company's activities.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 102-43	Approach to stakeholder engagement	About the Report Stakeholder engagement		10-11, 48-51	✓
GRI 102-44	Key topics and concerns raised	About the Report Stakeholder engagement		10-11, 48-51	✓
GRI 102-45	Entities included in the consolidated financial statements	About the Report		12	✓
See IFRS consolidated financial statements as of 31 December 2017, Note 39: Key subsidiaries.					
GRI 102-46	Defining report content and topic Boundaries	About the Report		10-12	✓
GRI 102-47	List of material topics	About the Report This Annex		11, 134-149	✓
GRI 102-48	Restatements of information	Key sustainability performance indicators About the Report Occupational health and safety — OHS achievements in 2017 Environment — Environmental protection performance in 2017		6-8, 10-12, 71, 81-87	✓
The development and improvement of the corporate reporting system and changes in the reporting boundaries and retrospective information are the key reasons for the restatements of information provided in the Report.					
GRI 102-49	Changes in reporting	About the Report		11	✓
GRI 102-50	Reporting period	About the Report		10	✓
GRI 102-51	Date of most recent report			-	✓
Rosneft 2016 Sustainability Report was published in July 2017.					
GRI 102-52	Reporting cycle	About the Report		10	✓
GRI 102-53	Contact point for questions regarding the report	Contact information		152	✓
GRI 102-54	Claims of reporting in accordance with the GRI Standards	About the Report		12	✓
GRI 102-55	GRI content index	This Annex		134-149	✓
GRI 102-56	External assurance	About the Report Independent Assurance Report on the sustainability Report 2017 This Annex		12, 128-129, 134-149	✓
Management approach					
GRI 103-1	Explanation of the material topic and its Boundary	About the Report This Annex		10-12, 134-149	✓

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 103-2 UN GC Principle 8 RUIE – 1.1 IPIECA-HS1, HS2, HS3, SE8, SE9, SE15	The management approach and its components	Message from the Chairman of Rosneft's Board of Directors Message from Rosneft's Chief Executive Officer, Chairman of the Management Board Corporate governance Sustainability management Risk management and internal control Innovation and technology advancements Occupational health and safety management system Environmental management system Energy consumption and energy efficiency Emergency prevention and response readiness HR management system Social impact management system		2-3, 4-5, 32-35, 36-41, 42-47, 52-61, 62-64, 72-80, 88-89, 90-93, 94-95, 120	✓
GRI 103-3 RUIE – 1.1	Evaluation of the management approach	Message from the Chairman of Rosneft's Board of Directors Message from Rosneft's Chief Executive Officer, Chairman of the Management Board Corporate governance Sustainability management Risk management and internal control Innovation and technology advancements Occupational health and safety management system Environmental management system Energy consumption and energy efficiency Emergency prevention and response readiness HR management system Social impact management system		2-3, 4-5, 32-35, 36-41, 42-47, 52-61, 62-64, 72-80, 88-89, 90-93, 94-95, 120	✓

See the 2017 Annual Report (Section 2.4 HPI system, pp. 54-56)

MATERIAL TOPICS

Economic performance

GRI 201-1 RUIE – 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7 IPIECA-SE4, SE13	Direct economic value generated and distributed	Key sustainability performance indicators		6	✓
GRI 201-3 RUIE – 1.8	Defined benefit plan obligations and other retirement plans	Human resources — HR performance in 2017 — Corporate pension benefits and care for veterans		118-119	✓

According to the findings from the actuarial valuation of Neftegarant Non-State Pension Fund in 2017, the fund's current financial position is stable and it is virtually certain that the fund will be able to meet its obligations (see <http://www.neftegarant.ru/pokazateli/actuar.php>).

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 201-4	Financial assistance received from government			-	✓
<p>The Company and Group entities benefit from tax reliefs established by federal tax legislation. In some regions, the Company and Group entities benefit from tax reliefs for income tax and property tax provided in accordance with regional legislation.</p>					
Indirect economic impacts					
GRI 203-1 IPEICA-SE7	Infrastructure investments and services supported	Key sustainability performance indicators Society — Social performance in 2017		6, 120-123	✓
GRI 203-2 IPEICA-SE6	Significant indirect economic impacts	Message from the Chairman of Rosneft's Board of Directors Message from Rosneft's Chief Executive Officer, Chairman of the Management Board		2-3, 4-5	✓
GRI OG1	Volume and type of estimated proved reserves and production	Key sustainability performance indicators		6	✓
Procurement practices					
GRI 204-1 IPEICA-SE5	Proportion of spending on local suppliers	The Company in 2017: general information — Import substitution and localization		29-31	✓
<p>With Russia being a key region of its business, Rosneft is strongly focused on supporting local suppliers. In its procurement activities, the Company gives priority to Russian goods, work and services, including by purchasing them directly from SMEs under current law. Local supplies to the Company exceeded 90% in 2017.</p> <p>The Company's procurement process is aligned with the principles established by Federal Law No. 223-FZ, On the Procurement of Goods, Work and Services by Certain Types of Legal Entities, such as openness and transparency, the elimination of unjustified restrictions on competition, and appropriate and cost-effective spending. Contracts for the supply of goods, work and services required by the Company are awarded based on the results of procurement procedures set forth in the Federal Law, including through a competitive bidding process.</p>					
Anti-corruption					
GRI 205-1 UN GC Principle 10 IPEICA-SE11, SE12	Operations assessed for risks related to corruption		The indicator is not disclosed. The exact number of Group entities analyzed for corruption-related risks is confidential.	-	
<p>Countering corruption is part of the Code of Business and Corporate Ethics adopted by Rosneft. The Company has approved the Anti-Corruption Policy and Anti-Fraud Policy. Relevant implementation activities took place in 2017 as part of the Comprehensive Anti-Fraud and Anti-Corruption Program.</p>					
GRI 205-2 UN GC Principle 10 IPEICA-SE11	Communication and training about anti-corruption policies and procedures	Sustainability management — Compliance framework Sustainability management — Prevention of fraud and corruption		38-39, 40-41	✓

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 205-3 UN GC Principle 10 IPIECA-SE11, SE14	Confirmed incidents of corruption and actions taken	Sustainability management — Prevention of fraud and corruption		40	✓
Anti-corruption issues are also handled by the Company's Security Function and the Internal Audit and Control Function.					
Energy					
GRI 302-1 UN GC Principles 7 and 8 RUJE – 2.2 IPIECA-E2	Energy consumption within the organization	Health, Safety and Environment — Energy consumption and energy efficiency		88-89	✓
Group entities use various fuels, primarily natural gas and associated petroleum gas, as well as fuel oil (88% and 7% of total fuel consumption, respectively).					
GRI 302-4 UN GC Principles 8 and 9 IPIECA-E2	Reduction of energy consumption	Health, Safety and Environment — Energy consumption and energy efficiency		88-89	✓
The implementation of the Energy Saving Program resulted in energy savings of 22.6 million GJ in 2017 (heat, electricity and fuel).					
GRI OG3 IPIECA-E3	Total amount of renewable energy generated by source		The indicator is disclosed partially. Information is not available due to insignificant volumes of renewable energy generation. The Company intends to start keeping record of this type of energy when it begins using it more extensively.	-	✓
At present, the amount of generated renewable energy represents an insignificant portion of total energy generation.					
Water					
GRI 303-1 UN GC Principles 7 and 8 RUJE – 2.3 IPIECA-E6	Water withdrawal by source	Environment — Environmental protection performance in 2017 — Water consumption and wastewater discharge		84	✓
According to its data collection methodology, the Company publishes data on total water withdrawal, including rainwater, wastewater and bottom water.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 303-2 UN GC Principle 8 IPECA-E6	Water sources significantly affected by withdrawal of water			-	✓
The Company identified no significant impacts of water withdrawal on water sources. The volume of water withdrawn from surface and ground sources is within the allowable level.					
GRI 303-3 UN GC Principle 8 RUIE – 2.4 IPECA-E6	Water recycled and reused	Environment — Environmental protection performance in 2017 — Water consumption and wastewater discharge		86	✓
The percentage of water recycled and reused in 2017 was around 54.18% (2, 260 million cubic meters).					
Biodiversity					
GRI 304-1 UN GC Principle 8 IPECA-SE5	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment — Environmental management system — Biodiversity conservation		78	✓
<p>The Company conducts exploration activities in fragile ecosystems and protected areas, including in Yamalo-Nenets Autonomous District, Krasnoyarsk Territory, Arkhangelsk Region and the Republic of Sakha, and in the Sea of Okhotsk, the Kara Sea and the Barents Sea. It also extracts, treats and transports oil near the Verkhnee Dvuobye wetlands, in the Yugansky state nature reserve in Khanty-Mansi Autonomous District, in various protected areas in Samara Region, including near the Sprygin Zhigulevsky state nature reserve, and the More-Yu wildlife sanctuary, the Pym-Va-Shor natural monument in Nenets Autonomous District, and in the wildlife sanctuaries and wetlands of Krasnodar Territory. In addition, the Company carries out oil and gas extraction, treatment and transportation operations in the areas with natural resources traditionally used by indigenous peoples of the North and sells petroleum products in the vicinity of various protected areas, including the Utrish state nature reserve, the Losiny Ostrov, Samarskaya Luka, the Tunkinsky and Pribaikalsky national parks, the Baikal nature reserve, the Teberdinsky state nature reserve, the Kumysnaya Polyana nature park and the Vysokovsky Bor natural monument.</p> <p>The Company carries out operations, including in the vicinity of fragile ecosystems and protected areas, in full compliance with environmental law.</p>					
GRI 304-2 UN GC Principle 8 IPECA-E5, HS4	Significant impacts of activities, products and services on biodiversity	Environment — Environmental management system — Biodiversity conservation	The indicator is disclosed partially.	75-80	✓
<p>Due to the scale of the Company's operations, it is impossible to indicate all affected species and the extent of the impacted areas.</p> <p>The main impacts on biodiversity come from Rosneft's exploration, production, treatment, transportation and marketing activities and generally last for as long as the Company leases or operates production facilities. The Company does not exert any irreversible impact on biodiversity. The most common impacting factors are the pollution of areas and the construction and use of production facilities.</p>					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 304-3 UN GC Principle 8 IPIECA-SE5	Habitats protected or restored	Environment — Environmental protection performance in 2017 — Waste management and contaminated land remediation	The indicator is disclosed partially. Due to the scale of the Company's operations, it is impossible to indicate the location and status of all protected and restored habitats.	86	✓
<p>The final stage of the land remediation process is an independent assessment. Land remediation is evidenced by certificates of acceptance to be submitted to local government authorities.</p>					
GRI 304-4 UN GC Principle 8 IPIECA-SE5	IUCN Red List species and national conservation list species with habitats in areas affected by operations			-	✓
<p>Areas affected by the Company's operations are home to 292 species from the IUCN Red List and the national conservation list:</p> <ul style="list-style-type: none"> Critically endangered (IUCN): 3 species Endangered (IUCN): 2 species Vulnerable (IUCN): 11 species Near threatened (IUCN): 26 species Least concern (IUCN): 54 species Threatened with extinction (Russia): 11 species Rare (Russia): 117 species Decreasing in number (Russia): 44 species Uncertain status (IUCN, Russia): 21 species Restored and restoring (Russia): 2 species <p>Species with habitats in areas affected by the Company's operations include gray whale, cachalot, reindeer, grey heron, golden eagle, Eurasian otter, pond turtle, sturgeon and others. The Company analyzes its impact on the above species and seeks to mitigate it.</p>					
GRI OG4 UN GC Principle 8 IPIECA-E5, HS4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environment — Environmental management system — Biodiversity conservation		78	✓
<p>The percentage of significant operating sites in which biodiversity risk has been assessed was 10% in 2017 (24 sites).</p>					
Emissions					
GRI 305-1 UN GC Principles 7 and 8 RUIE – 2.5 IPIECA- E1	Direct (Scope 1) GHG emissions	Environment — Environmental protection performance in 2017 — Greenhouse gas emissions		82-83	✓
GRI 305-2 UN GC Principles 7 and 8 RUIE – 2.5 IPIECA- E1	Energy indirect (Scope 2) GHG emissions	Environment — Environmental protection performance in 2017 — Greenhouse gas emissions		82	✓

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 305-3 UN GC Principles 7 and 8 IPEICA- E1	Other indirect (Scope 3) GHG emissions	Environment — Environmental protection performance in 2017 — Greenhouse gas emissions		82	✓
GRI 305-4 UN GC Principle 8 IPEICA- E1	GHG emissions intensity	Environment — Environmental protection performance in 2017 — Greenhouse gas emissions		82-83	✓
GRI 305-5	Reduction of GHG emissions	Environment — Environmental protection performance in 2017 — Greenhouse gas emissions		82-83	
The Gas Program, the Energy Efficiency Program and other corporate programs comprise the Company's key mechanism for reducing greenhouse gas emissions.					
GRI 305-6 UN GC Principles 7 and 8 IPEICA-E8	Emissions of ozone-depleting substances (ODS)			-	✓
The Company does not use any ozone-depleting substances on an industrial scale.					
GRI 305-7 UN GC Principles 7 and 8 RUJE – 2.6 IPEICA-E8	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Key sustainability performance indicators Environment — Environmental protection performance in 2017 — Air pollution		7, 81	✓
Effluents and waste					
GRI 306-1 UN GC Principle 8 RUJE – 2.7 IPEICA-E7, E9	Water discharge by quality and destination	Key sustainability performance indicators Environment — Environmental protection performance in 2017 — Water consumption and wastewater discharge	The indicator is disclosed partially. Due to the scale of the Company's operations, it is impossible to present information by destination.	7, 85	✓
According to its data collection methodology, the Company publishes data on total effluents (those of its own and of third parties) discharged via a centralized wastewater disposal system of its own and of third parties. The Company also publishes data on domestic wastewater discharge.					
GRI 306-2 UN GC Principle 8 RUJE – 2.8 IPEICA-E9, E10	Waste by type and disposal method	Environment — Environmental protection performance in 2017 — Waste management and contaminated land remediation		87	✓
Oily sludge and drill cuttings are the main types of waste produced by the Company. Rosneft does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III, and VIII. The Company does not keep record of waste by hazard class.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 306-3 UN GC Principle 8 RUIE – 2.9 IPIECA-E9	Total number and total volume of recorded significant spills	Key sustainability performance indicators Environment — Waste management and contaminated land remediation		7, 85	✓
GRI 306-4 UN GC Principle 8 IPIECA-E10	Transport of hazardous waste			-	✓
Oily sludge and drill cuttings are the main types of waste produced by the Company. Rosneft does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III, and VIII.					
GRI 306-5 UN GC Principles 8 and 9 IPIECA-E7, E9	Water bodies affected by water discharges and/or runoff			-	✓
The Company's discharges in 2017 had no significant impact on water bodies.					
GRI OG5 UN GC Principles 8 and 9 IPIECA-E10	Volume and disposal of formation or produced water	Environment — Environmental protection performance in 2017 — Water consumption and wastewater discharge		85	✓
GRI OG6 UN GC Principles 8 and 9 IPIECA-E4	Volume of flared and vented hydrocarbon	Environment — Environmental protection performance in 2017 — APG utilization		83	✓
In 2017 associated petroleum gas was flared only by upstream entities in Russia.					
GRI OG7 UN GC Principles 8 and 9 IPIECA-E10	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Environment — Environmental protection performance in 2017 — Waste management and contaminated land remediation		85-87	✓
The total amount of drill cuttings produced in 2017 using aqueous and non-aqueous drilling fluid was 4,604,000 tonnes and 71,000 tonnes, respectively.					
Environmental compliance					
OG8	Benzene, lead and sulfur content in fuels			-	✓
The Company does not produce fuels with benzene, lead and sulfur content significantly exceeding that established by national standards (technical regulations).					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
GRI 307-1 UN GC Principle 8 RUIE – 2.10	Non-compliance with environmental laws and/or regulations	Key sustainability performance indicators Environment — Environmental management system		7, 80	v
Some Group entities faced administrative fines for non-compliance with environmental regulations. The amounts of individual fines are insignificant. There were no non-monetary sanctions in 2017.					
Employment					
RUIE – 3.1.9	Occupational health expenditures	Key sustainability performance indicators Health, Safety and Environment — Occupational health and safety		7, 70	v
GRI 401-1 UN GC Principle 6 RUIE – 3.1.2 and 3.1.3	New employee hires and employee turnover	Key sustainability performance indicators	The indicator is disclosed partially. Information on new employee hires and turnover by gender and age is currently not gathered. The Company intends to gather such information after all Group entities have implemented a single automated HR administration system within the scope of centralized business planning (not earlier than 2020).	8	v
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human resources — HR performance in 2017 — Education support for employees and members of their families Human resources — HR performance in 2017 — Quality living conditions Human resources — HR performance in 2017 — Collective bargaining agreement		112, 118	v
Employment					
GRI 402-1	Minimum notice periods regarding operational changes, including whether these are specified in collective bargaining agreements	Human resources — HR performance in 2017 — Collective bargaining agreement		118	v
The Company fully complies with regulations governing notice periods for operational changes.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
Occupational health and safety					
GRI 403-2 RUIE – 3.1.5, 3.1.6, 3.1.7 and 3.1.8 IPIECA-HS3	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Key sustainability performance indicators Occupational health and safety — OHS achievements in 2017	The indicator is disclosed partially. The information required to calculate the absenteeism rate is currently not available, as no such records are kept by the Company.	7, 71	✓
GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation			-	✓
The Company analyzed historical data on injuries and occupational diseases to identify jobs with the highest risk rates. Jobs with the highest risk of injury include drilling rig and other machine operators, filling station attendants, and oil and gas field workers; jobs with the highest risk of occupational diseases include machine operators, bulldozer operators, and drivers of special-purpose vehicles. Rosneft makes every effort to mitigate negative impacts on these jobs.					
GRI 403-4 IPIECA-HS1, HS2, HS3, SE8, SE9, SE15	Health and safety topics covered in formal agreements with trade unions	Health, Safety and Environment — Occupational health and safety management system Human resources — HR performance in 2017		62-63, 119	✓
IPIECA-HS2, HS3	Programs and processes for identifying and addressing significant workforce health issues	Human resources — HR performance in 2017		113-116	✓
GRI OG13 IPIECA-HS1, HS5	Number of process safety events, by business activity	Occupational health and safety	The indicator is disclosed partially. The Company does not register loss of containment events according to the methodology for calculating this indicator. Currently, such events are recorded and classified in accordance with the requirements of Russian law.	65-71	✓
Safety is a number one priority for Rosneft. To prevent accidents, the Company regularly conducts OHS reviews, and it has also built an OHS personnel training system, and practices emergency skills during training exercises and on-site drills. There were 11 accidents at the Company's sites in 2017, with none of them having any environmental impact.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
Training and Education					
GRI 404-1 UN GC Principle 6 RUIE – 3.1.10 IPECA-SE16	Average hours of training per year per employee by gender and employee category	Human resources — HR performance in 2017 — Training and career development		100	✓
GRI 404-3 UN GC Principle 6 IPECA-SE16	Percentage of employees receiving regular performance and career development reviews	Human resources — HR performance in 2017 — Training and career development	The indicator is disclosed partially. The Report presents data on the total number of employees who have been subject to reviews. Currently, the Company does not collect data on reviews by category or gender.	103	✓
Company-wide, reviews were conducted for more than 28,000 employees in 2017.					
Diversity and equal opportunity					
GRI 405-1	Diversity of governance bodies and employees	Corporate governance Human resources — HR management system — Staff composition		34, 95	✓
Non-discrimination					
GRI 406-1 UN GC Principle 6	Incidents of discrimination and corrective actions taken			-	✓
The Company detected no incidents of discrimination in the reporting period.					
Freedom of association and collective bargaining					
GRI 407-1 UN GC Principle 3	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk			-	✓
The Company is committed to comply with the requirements of legislation on freedom of association and collective bargaining. The Company has no business units or suppliers that may violate these rules.					
IPECA – SE18 RUIE – 3.2.1	Labor disputes			-	✓
The Company is committed to comply with the requirements of labor legislation. The Company seeks to resolve all labor disputes by means of negotiation.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
Rights of indigenous peoples					
GRI 411-1 UN GC Principles 1 and 2 RUIE – 3.2.3	Incidents of violations involving rights of indigenous peoples			-	✓
The Company is committed to comply with the requirements of legislation prohibiting any forms of human rights violation. No violations involving the rights of indigenous peoples were reported in 2017.					
GRI OGG	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place			-	✓
In some regions, the Company carries out oil and gas production operations in the areas where indigenous communities are present. In all these regions, the Company has programs to engage with, and provide support to, such communities.					
Local communities					
GRI 413-1 UN GC Principle 1 IPIECA-SE1, SE2, SE3, SE4, SE5	Operations with local community engagement, impact assessments, and development programs	Society		120-127	✓
The Company implements procedures for stakeholder engagement and community impact assessment and management in key regions of operation, including when developing new projects. These approaches cover the absolute majority of the Company's operations.					
RUIE – 3.3.2	Engagement with government authorities when handling publicly important tasks	Society — Social impact management system Society — Social performance in 2017 — Regional partnerships		120, 120-121	✓
	Social investments	Key sustainability performance indicators Society — Social impact management system Society — Social performance in 2017		7, 120, 120-127	✓
GRI 413-2 UN GC Principle 1	Operations with significant actual and potential negative impacts on local communities			-	✓
The relocation of the Company's employees and contractors in connection with the development of new projects may have an adverse impact on local communities. Other adverse factors may include environmental impacts and threats to the safety of facilities. The Company takes action to avoid adverse impacts of employee relocation on local communities. It also implements measures to mitigate adverse environmental impacts and enhance safety management performance.					
GRI OG10 RUIE – 3.2.3	Number and description of significant disputes with local communities and indigenous peoples			-	✓
No significant disputes with local communities and indigenous peoples were recorded in 2017.					

GRI Standard	Name	REPORT SECTION	Omission	Page	External assurance
Public policy					
GRI 415-1 UN GC Principle 10 IPECA-SE11, SE14	Political contributions			-	✓
The Company does not provide finance for political purposes.					
RUIE – 3.3.1	Position on the public policy, participation in public policy development and lobbying	Health, Safety and Environment — Occupational health and safety management system Environment — Environmental management system — Cooperation with governmental and non-governmental environmental groups Human resources — HR performance in 2017 — Training and career development		67, 75, 104	✓

The following decisions and actions were taken by the Company in 2017 pursuant to public policy:

- Rosneft updated its long-term development program in line with new strategic targets and changes in its consolidation perimeter by providing a more detailed description of measures aimed at achieving long-term goals and revising measures prescribed by Russian Government directives No. 4955p-P13 of 17 July 2014, No. 7558p-P13 of 12 November 2014, No. 1346p-P13 of 5 March 2015, No. 2303p-P13 of 16 April 2015, No. 7389p-P13 of 31 October 2014, No. 1472p-P13 of 3 April 2016, No. 4531p-P13 of 28 June 2016, No. 4750p-P13 of 4 July 2016, No. 830p-P13 of 6 February 2017 and others.
- Pursuant to Instruction No. DM-P9-705r of the Russian Prime Minister dated 31 January 2014 and with the support of the Russian President expressed in Instruction No. Pr-2579 dated 29 December 2016, the Company continued work on the construction project of Eastern Petrochemical Company, the largest oil refining and petrochemical facility in Far Eastern Federal District.
- Acting on the instructions of the Russian President and the Russian Government, Rosneft's Board of Directors made a number of decisions in 2017 with respect to the following:
 - Establishing and implementing plans to reduce operating costs, promote import substitution and support procurement activities
 - Divesting non-core assets and holding quarterly reviews of progress reports under the Non-Core Asset Divestment Program for the first, second and third quarters of 2017
 - Embedding professional standards into the Company's operations
- In pursuance of the instructions of the Russian President and the Russian Government, the Company approved internal regulations covering its key processes in 2017, with some of them already put into effect (for the full list of adopted documents, see the 2017 Annual Report, Section 5.4 Rosneft's executive bodies, p. 216).
- Pursuant to the instruction of the Russian President, the consortium of Rosneft, Rosneftegaz and Gazprombank is building an industrial and shipbuilding cluster in the Russian Far East based on the Far Eastern Shipbuilding and Ship Repair Center, with the Zvezda shipbuilding complex in Bolshoi Kamen at its core.
- Rosneft fully met the demand for petroleum products from the military units of the Russian Ministry of Defense deployed in the Central and Eastern military districts, as well as from the Ministry of the Interior, the Ministry of Emergency Situations and the Russian Investigative Committee. In accordance with the resolutions of the Russian Government, Group entities act as sole supplier to the Russian Ministry of Defense, the Investigative Committee, the Ministry of Emergency Situations, the Ministry of Interior, and the National Guard of Russia.
- In pursuance of Directives of the Russian Government (No.6362P-P13 of 24 October 2013, No. 7377p-P13 of 7 October 2013 and No. 4252p-P132 of 16 June 2016), the Company took steps aimed at improving access for small and medium-sized businesses to contracts with the Company. Contracts worth RUB 97.9 billion were awarded to small and medium-sized businesses.

For details, see the 2017 Annual Report (Appendix 4: Information on compliance with instructions given by the President of the Russian Federation and the Government of the Russian Federation, pp. 322-333).

Annex 3.**LIST OF ABBREVIATIONS**

“Rosneft” and the “Company” mean Rosneft Oil Company PJSC either separately or together with its subsidiaries and affiliates, depending on the context. “GRI Standards” mean the Global Reporting Initiative Sustainability Reporting Standards, version 2016.

APG	Associated petroleum gas
API	American Petroleum Institute
bcm	billion cubic meters
CIS	Commonwealth of Independent States
CWRMS	Corporate-Wide Risk Management System
EIA	Environmental impact assessment
GHG	Greenhouse gas
HSE	Health, safety and environment
IFRS	International Financial Reporting Standards
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardization

KPI	Key performance indicator
mboe	million barrels of oil equivalent
mbpd	million barrels per day
mmt	million metric tonnes
mmtoe	million metric tonnes of oil equivalent
Neftegarant	Neftegarant Non-State Pension Fund
OHS	Occupational health and safety
R&D	Research and development
RM&ICS	Risk Management and Internal Control System
Rostekhnadzor	Federal Service for Environmental, Technological and Nuclear Oversight
RUIE	Russian Union of Industrialists and Entrepreneurs
SEC	U.S. Securities and Exchange Commission
tce	tonne of coal equivalent
UN	United Nations
UNEP/COM	Russian National Committee for UNEP
VHI	Voluntary health insurance

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Photo by Yevgeny Mamayev, Ph.D., in Biological Sciences, Deputy Director for Science, Kommandorsky Nature Reserve®

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