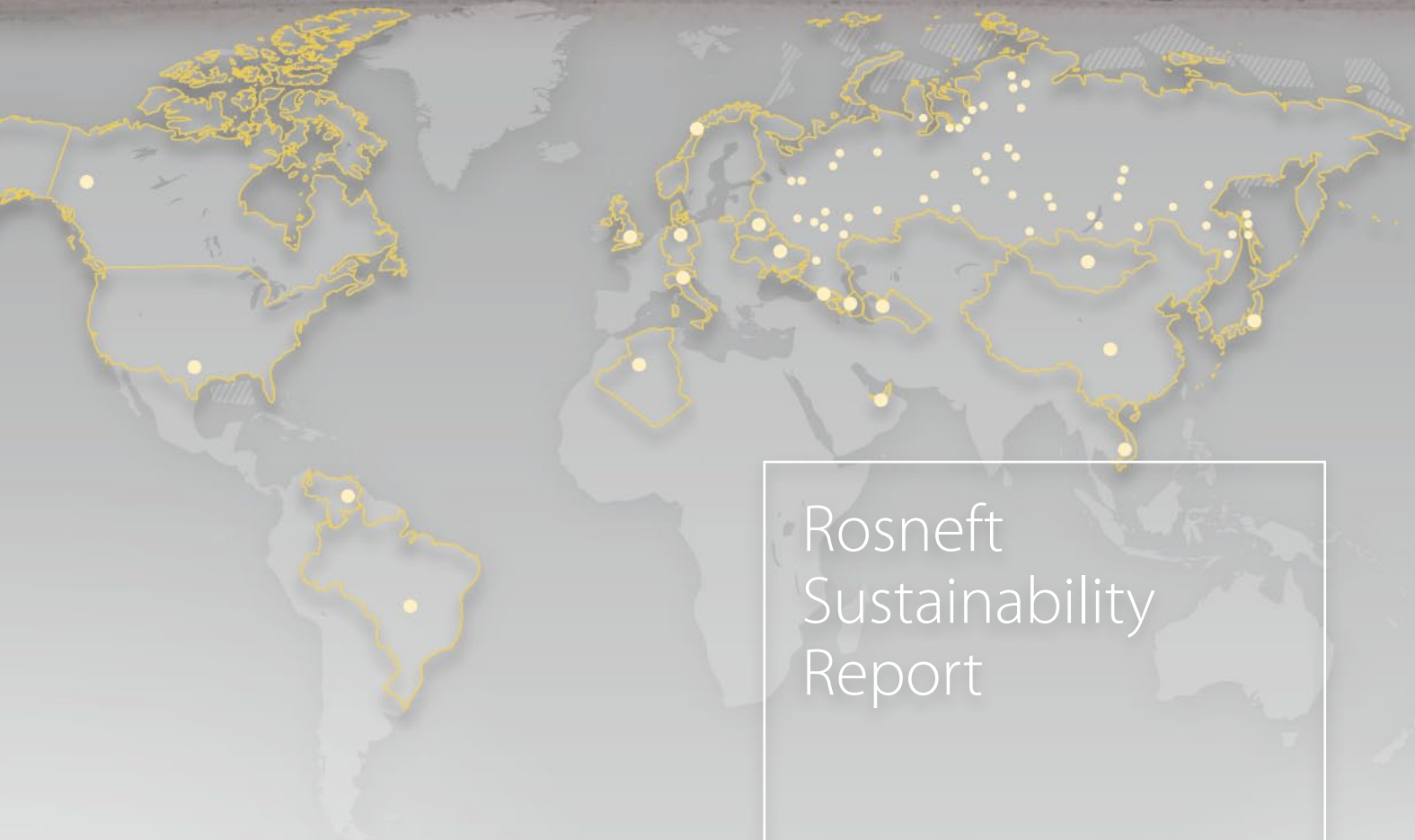


Global  
Energy  
Company



**ROSNEFT**



Rosneft  
Sustainability  
Report

2013

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## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



In 2013, as a result of a balanced and effective approach of Rosneft's management toward the acquisition and integration of a large portfolio of new assets, the Company became the world's leading public company in terms of liquid hydrocarbon production, while confirming its leading positions in terms of proven oil reserves.

Already by the end of 2013, the Company achieved significant synergies in all areas of its business from the integration of the acquired assets. Rosneft demonstrated high operating and financial performance, and continual improvement of its performance on all aspects of sustainability.

The Company aligned development programs of its assets in the hydrocarbon production and processing sectors, streamlined the logistics of transporting petroleum products, and consolidated marketing networks. As a result of the integration, the Company made substantial adjustments to its capital investment program and significantly reduced its infrastructure and management costs.

As a result of the Company's exploration program in 2013, 6 fields and 70 new deposits were discovered. Jointly with its strategic partners – ExxonMobil, Eni, and Statoil – Rosneft has implemented an unprecedented offshore exploration program in the Arctic.

All this helped Rosneft become the world's largest public petroleum company in terms of oil production and reserves, while demonstrating record operating and financial performance. A high level of corporate governance and transparency remains a key priority to the Company. In 2013, Rosneft won the annual award For Active Corporate Disclosure Policy for the second year in a row. Alongside a significant enhancement of the Company's investment attractiveness and a growth of its shareholder value, Rosneft has successfully implemented a strategy for progressive increase in dividend payments.

Being one of the leaders of the national economy and the largest taxpayer in the Russian Federation, Rosneft has substantial influence on the social sphere, contributing to the enhancement of the living standard in its regions of operations. Rosneft's operating achievements make serious contribution to the economic and social stability of the Russian Federation.

A handwritten signature in black ink, which appears to read 'Alexander Nekipelov'. The signature is fluid and cursive, written in a professional style.

*Kind regards,  
Chairman of the Board of Directors  
Rosneft Oil Company  
**Alexander Nekipelov***

# MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN OF THE MANAGEMENT BOARD



As a result of its activities in 2013, Rosneft not only confirmed its leadership in the Russian oil industry but, due to its active growth strategy, became the world's largest public petroleum company in terms of oil production, among other indicators. Over the year, the Company successfully integrated newly acquired assets of TNK-BP, Itera, and Sibneftegaz, and standardized best practices across its expanded business. A large-scale integration of production and manufacturing capacities, infrastructure and human resource potential helped Rosneft boost its development and optimize its asset portfolio.

Rosneft's key investment projects include the creation of a new internationally significant oil production center in East Siberia, development of offshore fields in Russia, continued production at existing fields in West Siberia and the Volga-Ural Region, and further realization of their potential through the development of tight oil reserves,

development of the gas business, and participation in international projects.

The past year was marked by the beginning of the implementation of joint offshore projects in accordance with the Declaration on Careful Development of Arctic Offshore Fields signed earlier by Rosneft and its strategic partners – Statoil, ExxonMobil, and Eni. In 2013, the Company completed the establishment of the Arctic Research and Design Center, a joint venture with ExxonMobil. The Center conducts research in the field of environmental safety of operations and will provide full range of research, development, and design services within the framework of strategic partnership between the two companies for the exploration and development of offshore hydrocarbon resources in the Arctic.

The Company's high status as a leading player in the global oil and gas industry requires increased attention to innovation, environmental and

industrial safety, occupational health and safety, and personnel development. Active efforts in these areas reflect Rosneft's commitment to the social responsibility principles.

Innovation activities of Rosneft are aimed at achieving technology leadership in the global energy sector. In 2013, the Company's R&D investments under the innovation development program exceeded RUB 23 bn, whereas its total spending on innovation activities was RUB 148 bn.

The Company makes systematic efforts to enhance its safety, health, and environmental performance. In the past year, it substantially increased the associated petroleum gas recovery rate, achieving a 70% level. The Company made progress in the field of energy efficiency, saving significant amount of electricity in the reporting year.

In the past year, Rosneft once again confirmed its status of one of the largest employers in Russia, the number of

its employees at the year end being over 228<sup>1</sup> thousand. The Company indexes salaries on an annual basis; in the reporting year, the average monthly salary across all subsidiaries was around RUB 60 thousand. At most Rosneft subsidiaries, average salaries were above average salaries paid in the respective regions.

Rosneft is the largest taxpayer in Russia – in 2013, taxes paid the Company at all levels totaled RUB 2.7 trillion, including RUB 248 bn paid to regional budgets. The Company has traditionally paid special attention to the implementation of socio-economic programs in its regions of operation. In 2013, the Company's expenditures on social programs, including investments in regional social infrastructure and charity, were RUB 29.7 bn.

In 2014, Rosneft will continue the implementation of initiatives in all areas of sustainability.

Joining efforts with international partners, the Company gains invaluable experience of using the most advanced technologies, which will help it achieve its goals in the most safe and efficient manner.

*Kind regards,  
President and the Chairman  
of the Management Board  
Rosneft Oil Company  
**Igor Sechin***

<sup>1</sup> According to the IFRS reporting boundary.

# KEY SUSTAINABILITY PERFORMANCE INDICATORS

Indicator	2011	2012	2013
<b>Operating and economic performance indicators<sup>2</sup></b>			
SEC proven oil reserves, mmt	1960	1999	3398
SEC proven gas reserves, bscm	566	753	1329 <sup>3</sup>
Oil and gas condensate production, mmt	118.7	122.0	206.9 <sup>4</sup>
Gas production, bscm	12.8	16.4	42.1 <sup>5</sup>
Hydrocarbon production, mboe	944	989	1622
Oil processing, mmt	57.9	61.6	90.1
Output of petroleum products and petrochemicals, mmt	55.9	59.6	87.1
Assets at the end of the year, RUB bn	3463	3971	7538
Total Revenues and equity share in profits of joint ventures and associates, RUB bn	2718	3089	4694
Total equity, RUB bn	2104	2322	3165
Current and non-current liabilities, RUB bn	1359	1649	4373
Dividends declared (including minority dividends), RUB bn	27	71	85
<b>Generated and distributed direct economic value, RUB bn</b>			
<b>Generated direct economic value</b>			
Revenues	2738	3102	4736
<b>Distributed economic value</b>			
Operating costs	768	923	1199
Employee wages and benefits	75.2	94.2	185.0
Payments to providers of capital	46	86	57
Payments to governments	1384	1625	2457 <sup>6</sup>
Community investments	10.7	7.6	7.6
<b>Retained economic value</b>	<b>454</b>	<b>366</b>	<b>832</b>

**3398\***

MILLION TONNES OF OIL

**1329\***

BILLION STANDARD CUBIC METERS OF GAS

\*PROVEN RESERVES (SEC)

- 2 According to IFRS, unless stated otherwise.  
 3 SEC proven gas reserves include only marketable gas.  
 4 Including TNK-BP assets since January 1, 2013.  
 5 Including TNK-BP assets since January 1, 2013.  
 6 Taxes payable according to IFRS, with TNK-BP assets included since March 21, 2013. Taxes paid with TNK-BP assets included since January 1, 2013 amount to RUB 2.7 trillion.

Indicator	2011	2012	2013
<b>Industrial safety, occupational health and safety and environmental performance indicators<sup>7,8</sup></b>			
Occupational injury rate (injuries per one mln hours worked)	0.187	0.155	0.214
Occupational fatality rate (cases per 100 mln hours worked)	2.68	2.02	2.14
Total air pollutant emissions, thousand tonnes	989	1359	1802
Specific pollutant emissions in the oil and gas production sector (tonnes per thousand tce) <sup>9</sup>	4.05	5.65	4.58
Specific pollutant emissions in the refining and petrochemical manufacturing (tonnes per thousand tce)	1.63	1.5	1.39
Associated petroleum gas recovery rate, %	53.4	53.5	69.8
Total wastewater discharge to surface water bodies, mcm	60.1	59.8	90.8
Specific wastewater discharge to surface water bodies in the oil and gas production sector (m <sup>3</sup> per tce)	0.0001	0.00002	0.0001
Specific wastewater discharge to surface water bodies in the refining and petrochemical manufacturing (m <sup>3</sup> per tce)	0.8	0.8	0.8
Total number of pipeline ruptures (oil, gas, and water pipelines)	11069	10279	10425
Oil and petroleum products spilled due to pipeline ruptures, tonnes	1066	1152	1015
Health, safety, environment, and emergency preparedness training, thousand man-courses	110.3	113.3	159.6 <sup>10</sup>
Expenditures on OHS and industrial safety, RUB mln	2353	3943 <sup>11</sup>	4960 <sup>12</sup>
Expenditures on emergency prevention, fire and radiation safety, RUB mln	4555	4447	12222 <sup>13</sup>
Capital environmental expenditures, RUB mln	24117	22709	40490
Operating environmental expenditures, RUB mln	10611	13794	16986
Environmental fines payable, RUB mln	N/A	N/A	55 <sup>14</sup>
Payments to budgets at all levels associated with environmental protection and rational use of natural resources, RUB mln	1255	3932	3872

7 According to management accounts.

8 Environmental data for 2011–2012 were revised and restated in accordance with the improved data collection methodology.

9 Specific indicators of pollutant emissions (including breakdown by category) and wastewater discharge to surface water bodies are calculated for the boundary used for environmental data.

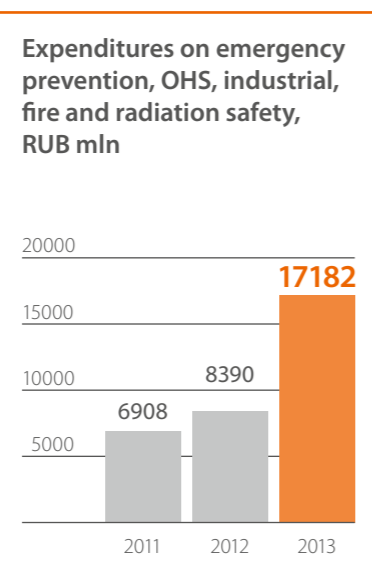
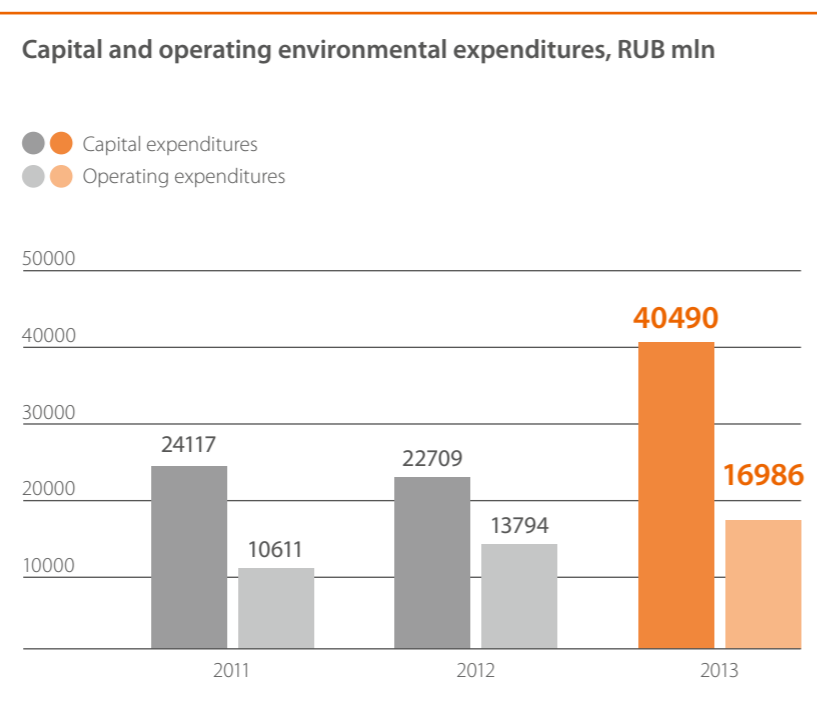
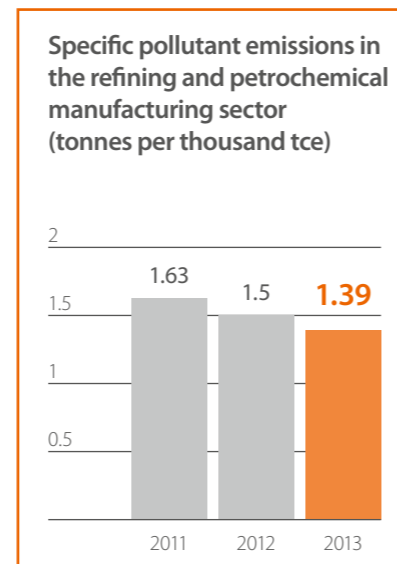
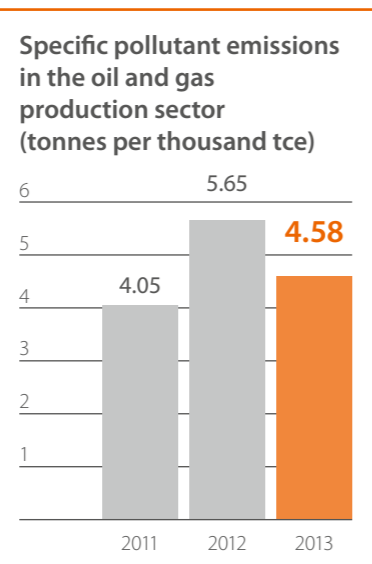
10 The amount of health, safety, environment, and emergency preparedness training in 2013, including OJSC Udmurtneft and its subsidiaries, was 162.6 (+2.6) thousand man-courses.

11 Previously reported data for 2012 have been restated.

12 Additionally, over RUB 5 bn was spent in 2013 on corrective actions according to orders of regulatory authorities, actions to improve working conditions, and industrial safety assessments.

13 Additional expenditures on blowout safety in 2013 amounted to RUB 811 mln.

14 The amount of fines payable is provided for 2013. The amount of fines paid in 2011–2013 was RUB 41, 41.8, and 73 mln respectively.



**40490**  
MILLION RUBLES –  
CAPITAL ENVIRONMENTAL  
EXPENDITURES IN 2013

Indicator	2011	2012	2013
<b>Innovation indicators</b>			
R&D expenditures, RUB bn	8.6	9.9	23.2
<b>HR management indicators</b>			
Staff size at the year end, thousand persons <sup>15</sup>	164.1	169.3	221.9 <sup>16</sup>
Average staff size over the year, thousand persons <sup>17</sup>	162.0	164.6	212.6
Workforce by category at the year end, %			
Workers	62.0	59.7	57.9
Specialists and administrative staff	26.3	28.6	29.8
Managers	11.8	11.7	12.4
Workforce by gender at the year end, %			
Women	31.8	31.9	36.0
Men	68.2	68.1	64.0
Employee turnover, %	10.5	11.7	14.1 <sup>18</sup>
Average monthly salary, RUB <sup>19</sup>	43616	50667	60093 <sup>20</sup>
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln <sup>21</sup>	84807	100071	153323
Social payments to employees, RUB mln <sup>22</sup>	3339	7217	7379 <sup>23</sup>
<b>Society performance indicators</b>			
<b>Tax payments and export duties, RUB mln<sup>24</sup></b>			
incl. tax payments to the federal budget and customs duties, RUB mln	1283090	1517600	2436696
incl. tax payments to regional budgets, RUB mln	169181	171440	248130
incl. payments to extra-budgetary funds, RUB mln	18616	23421	35259
<b>Expenditures on social programs, including social investments and charity in the regions of operation, RUB mln<sup>26</sup></b>			
incl. creation of optimal working conditions, RUB mln	5313	6338	8511
incl. implementation of regional cooperation agreements, RUB mln	3228	2801	3685
incl. charity, RUB mln	2864	3422	1439
incl. other social expenditures, RUB mln	8893	9853	16089

<sup>15</sup> Almost all staff (99.7%) are employed full-time.

<sup>16</sup> The staff size is provided for the centralized business-planning boundary. The staff size for all entities within the IFRS boundary was 228.0 thousand persons. The staff size with OJSC Udmurtneft and its subsidiaries taken into account was 229.1 (+7.2) thousand persons.

<sup>17</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft.

<sup>18</sup> Employee turnover across the Company, with OJSC Udmurtneft and its subsidiaries taken into account, was 13.9%.

<sup>19</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft.

<sup>20</sup> The average salary across the Company in 2013, with OJSC Udmurtneft and its subsidiaries taken into account, was RUB 59327.

<sup>21</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft.

<sup>22</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft.

<sup>23</sup> Social payments to employees across the Company in 2013, with OJSC Udmurtneft and its subsidiaries taken into account, amounted to RUB 7486 (+107.6) mln.

<sup>24</sup> According to management accounts (within centralized business-planning boundary).

<sup>25</sup> Including TNK-BP assets since January 1, 2013.

<sup>26</sup> According to management accounts (within centralized business-planning boundary).

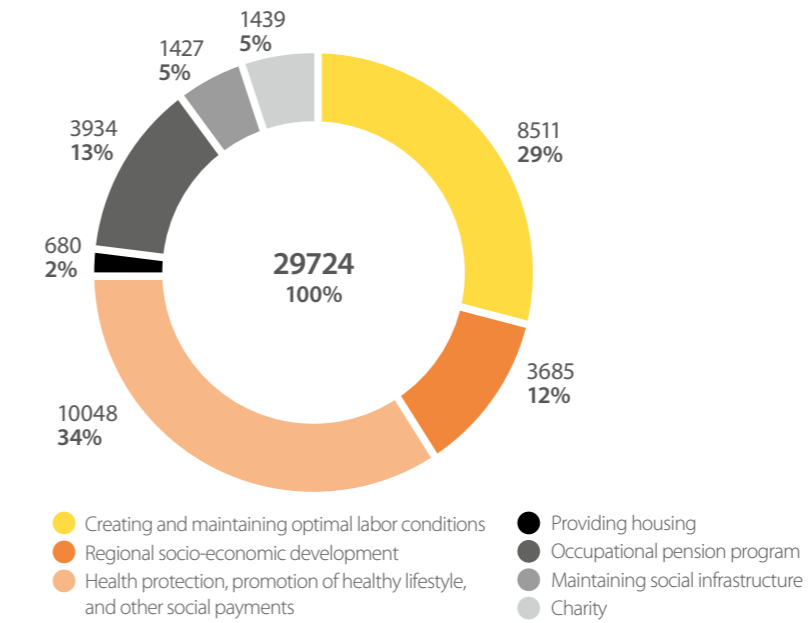
<sup>27</sup> Total expenditures on the main areas of social policy across the Company in 2013, with OJSC Udmurtneft and its subsidiaries taken into account, amounted to RUB 30031 (+307) mln.

# 221.9

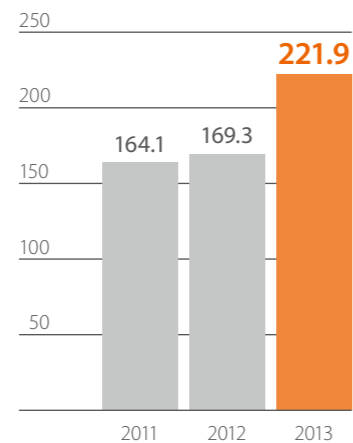
THOUSAND PEOPLE –  
STAFF SIZE AT THE END  
OF 2013



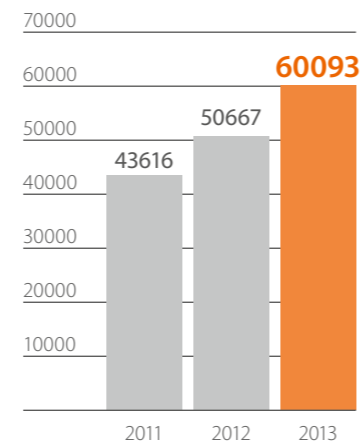
Expenditures on the main areas of social policy in 2013, RUB mln



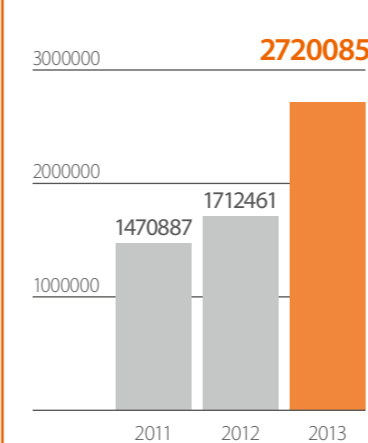
Staff size at the year end, thousand



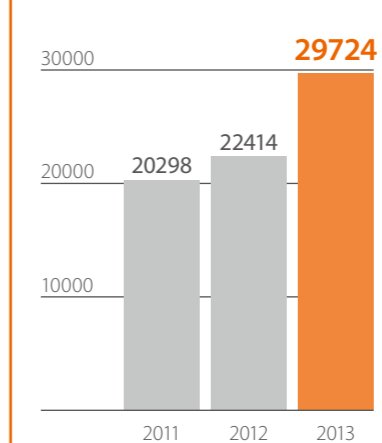
Average monthly salary, RUB



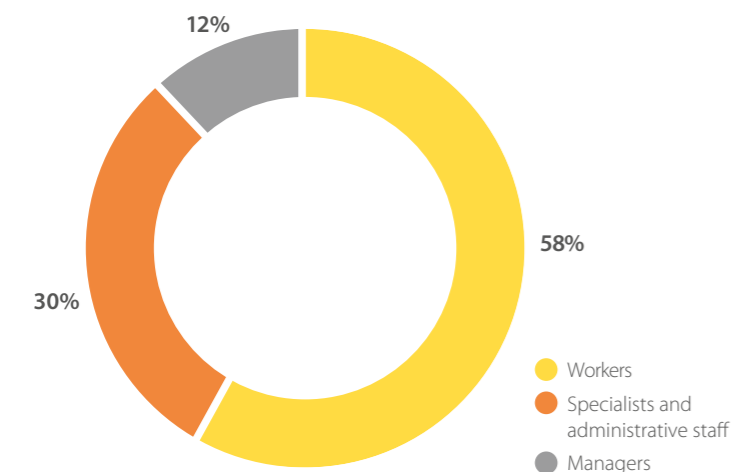
Tax payments and customs duties, RUB mln



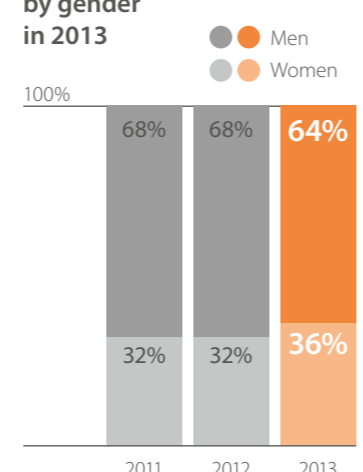
Expenditures on social programs, RUB mln



Workforce by category in 2013



Workforce by gender in 2013



# 29.7

BILLION RUBLES ACCOUNTED THE EXPENDITURES ON SOCIAL PROGRAMS, INCLUDING SOCIAL INVESTMENTS AND CHARITY IN THE REGIONS OF OPERATIONS IN 2013

# ABOUT THIS REPORT

The target audience of this Report<sup>28</sup> traditionally includes key stakeholder groups whose interests are affected by the Company's performance. They include Rosneft employees, representatives of the business community (shareholders and investors, suppliers and customers, business partners), government authorities at the municipal, regional, and federal levels, as well as local communities and non-governmental organizations.

In order to obtain quality feedback from its stakeholders, Rosneft holds an annual series of roundtable meetings in its regions of operation (more detail on these events are available below in section Stakeholder Engagement). Stakeholders can also provide their questions, comments, and suggestions regarding Rosneft sustainability reports using a feedback form available on the Company's website ([www.rosneft.com](http://www.rosneft.com)), or via an email address or telephone numbers provided in this Report. Sustainability reports for the previous years are also available on the Company's website.

Rosneft determines the content of its sustainability reports based on the priority areas of its business, stakeholder views, issues raised by the mass media, and sustainability aspects recommended for disclosure by the Sustainability Reporting

**This report for the year 2013 is the eighth Rosneft Sustainability Report. Rosneft publishes its sustainability reports on an annual basis. The previous one – Rosneft Sustainability Report 2012 – was published in August 2013.**

Guidelines by the Global Reporting initiative (hereinafter – “the GRI Guidelines”). The structure of this Rosneft Sustainability Report 2013 is based on the key areas of the Company's sustainability performance, including innovation, environmental protection, health and safety, personnel relations, and engagement with the society in the regions of operation.

A brief overview of the Company's sustainability performance is provided in Rosneft Annual Report 2013. To avoid the duplication of information about Rosneft's business, corporate governance system, and management structure, references to the respective sections of the Annual Report are provided in this Report.

Collecting data on the Company's performance is an important part of its sustainability reporting process. The Company continually develops its approaches toward data collection. In 2013–2014, Rosneft deployed an automated system for the collection and consolidation of sustainability performance data, which was piloted in the preparation of this Report. In preparing and presenting data, the Company is guided by GRI Indicator Protocols and the International Financial Reporting Standards (IFRS).

## Reporting Principles

Rosneft's sustainability reporting process is based on the GRI Guidelines (version 3.1). The Company's sustainability reporting principles are based on the GRI Guidelines and laid out in Rosneft Sustainability Report 2008.

This Report contains information on all indicators defined in the GRI Oil and Gas Sector Supplement. Furthermore, it contains some indicators compliant with the G4 Guidelines, a new version of the GRI Guidelines.

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

Rosneft Sustainability Report 2013 has been prepared in accordance with A+ GRI application level and undergone an independent assurance by EY. The independent assurance report is available on pp. 104–105 of this Report.

## Reporting Boundaries

Rosneft prepares its sustainability reports at the company-wide level, covering all major subsidiaries controlled by the Company and significant in terms of its sustainability performance. Operating and financial performance indicators are provided in accordance with the IFRS.

The acquisition of new assets in 2013 has led to significant changes in the Company boundaries; the new boundary includes all assets of TNK-BP and LLC Taas-Yuryakh Neftegazodobycha, a production enterprise. The reporting boundary for occupational health and safety indicators includes also LLC Itera Oil and Gas Company.

The data on HR management and engagement with the society are provided according to the centralized business-planning boundary, which was made closer to the IFRS boundary in 2013. The data on the payroll fund, social payments, and average headcount include OJSC Tomskneft (according to IFRS principles); at the same time headcount data do not include Udmurtneft Group, which was excluded from the HR and society performance reporting boundary in 2013. To ensure continuity with the previous year's report, in this Report the key HR and society performance indicators for Udmurtneft Group or with it taken into account are provided for the reference in footnotes.

Furthermore, the reporting boundary for HR management includes such companies as OJSC RN Ingushneft and LLC Arctic Research and Design Center for Offshore Development.

The reporting boundary for OHS and environmental performance indicators includes OJSC Tomskneft and Udmurtneft Group – companies managed on a parity basis with other owners. The reporting boundaries for individual indicators are determined on the basis of existing data collection systems and processes, as explained in the respective comments. The reporting boundary for OHS performance indicators includes LLC Polar Lights Company and LLC Itera Oil and Gas Company. The reporting boundary for environmental performance indicators includes CJSC Energoservis, LLC Fire Safety, and a number of marketing and distribution subsidiaries.

Overall, the only factor that significantly affected consolidated sustainability performance indicators was the inclusion of the TNK-BP assets into the reporting boundary. This led to the issue of the continuity of data reported by the Company in its sustainability reports. To ensure data comparability, it was decided to provide key sustainability performance indicators for the TNK-BP assets for 2011–2012. These indicators are provided in Annex 3. The Rosneft data for 2013 cover the new assets. We hope that such an approach will

help stakeholders evaluate the Company's actual performance on key sustainability aspects.

As a result of continual development and improvement of the Company's environmental reporting system, some environmental performance data for 2013 were collected using a new approach, as close to the requirements of the GRI Guidelines as possible. The data for 2011–2012 were determined more accurately and restated in accordance with the new methodology in order to ensure comparability and continuity. Furthermore, as a result of changes in the methodology of energy consumption data collection and consolidation, the data on fuel, electricity and heat consumption are provided for 2013 only.

In 2013, there were no significant changes in the reporting scope (economic, social, and environmental aspects of sustainability) compared to the previous reports.

28 Rosneft Sustainability Report 2013, hereinafter also “the Report”.



# COMPANY PERFORMANCE



Tuapse Refinery

**Rosneft is the leader of the Russian oil industry and the world's largest publicly traded petroleum company in terms of production and reserves. The company has been included in the list of strategic Russian enterprises.**

**The geography of Rosneft's exploration and production operations encompasses all the key oil and gas regions of Russia.**

**Key factors of the dynamic development are the resource base which is unique in the size and quality, highly skilled staff and effective system of innovation development.**

<b>18</b>	THE COMPANY IN 2013: GENERAL INFORMATION
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# THE COMPANY IN 2013: GENERAL INFORMATION

**Rosneft Oil Company is the leader of Russia's oil industry and the world's largest publicly traded petroleum company in terms of production and reserves**

The key areas of its business include prospecting and exploration of oil and gas deposits, oil, gas, and condensate production, upstream offshore projects, hydrocarbon processing, as well as crude oil, gas, and product marketing in Russia and abroad.

The Company is on the list of strategic Russian enterprises. Its largest shareholder (69.50% of the equity) is OJSC ROSNEFTEGAZ, fully owned by the Russian Government. BP holds 19.75% of the stock, whereas the remaining 10.75% are in free float.

The geography of Rosneft's exploration and production operations encompasses all the key oil and gas regions of Russia, including Southern and Central Russia, Western and Eastern Siberia, the Far East, and the shelf of Russian seas, including Arctic ones. The Company also implements a number of projects in Venezuela, Brazil, the US, Canada, the UAE, Algeria, Norway, Kazakhstan, Vietnam, and Abkhazia.

Rosneft owns ten major refineries based in Russia, four mini-refineries, and a

stake in another refinery. In Germany, Rosneft has stakes in four refineries. In Russia, the Company also produces petrochemicals, oils, and additives.

The Company's sales network encompasses 56 Russian regions. Petroleum products are marketed through Rosneft's retail network that comprises 2627 filling stations. In addition to serving the Russian market, Rosneft sells its products to a wide range of customers in the CIS and the broader international market. The year 2013 saw a number of important developments that helped the Company expand its marketing business and enhance its efficiency. They include signing agreements with Chinese companies and starting supplying oil to China, and the expansion of partnerships with end customers of oil supplied through the Druzhba pipeline (refineries based in the Czech Republic and Poland). With regard to regional retail sales, an important development was the commissioning of seven Olympic-format filling stations in partnership with Autogrill. The Company also expanded its customer base for aviation fuel by making

deals with such airlines as Alrosa Airlines, Wizz Air (Hungary), Korean Air (South Korea), and Siberia Airlines. Rosneft prolonged until 2015 long-term contracts for bunker fuel supply in the Far East with such major shipping companies as Maersk and CMA CGM. New contracts were signed with such major container lines, as ATP HYUNDAI, NYK, and MOL. The Company also signed five-year contracts for bunker fuel supply with operators of Sakhalin-1 and Sakhalin-2 offshore projects.

Rosneft strengthens its standing among the world's largest energy corporations, being the leader in terms of operating performance and among the leaders in terms of financial performance and shareholder value.

The Company's rapid development in the recent years has helped create a strong potential for sustainable growth and systematic progress toward strategic goals. The key factors of Rosneft's development include its resource base, unique in terms

of size and quality, highly skilled staff, and an effective system of innovation development.

In 2013, the Company continued energetic efforts to increase shareholder value, successfully integrating TNK-BP assets, tapping unconventional hydrocarbon reserves, developing its gas business, and increasing the output of high-quality light petroleum products.

## INTEGRATION OF NEW ASSETS

**Rosneft's performance in 2013 confirmed its continuing leadership in the Russian petroleum sector**

Rosneft's performance in 2013 confirmed its continuing leadership in the Russian petroleum sector. The Company also expanded its participation in international projects, confidently moving into a leading position in the global oil and gas market.

Over 2013, the Company closed an unprecedented number of transactions on the acquisition of major oil and gas production, refining, and infrastructure assets. As a result of these acquisitions and, particularly, the integration of TNK-BP assets, Rosneft has become the world's largest oil company in terms of production and hydrocarbon reserves.

The synergy from the key acquisitions in the year 2013 totaled RUB 27 bn. The consolidation of production and manufacturing operations,

infrastructure and human resource potential helped boost the Company's progress toward its strategic goals in many areas. The key advantages of the integration include:

- optimization of capital expenditures, including the use of shared infrastructure;
- optimization of approaches toward environmental activities;
- access to more profitable gas markets;
- streamlining of sales and logistics;
- optimization of operating expenditures etc.

10

MAJOR REFINERIES  
BASED IN RUSSIA

4

MINI-REFINERIES

56

REGIONS IN RUSSIA

2627

DILLING STATIONS

27

BILLION RUBLES – TOTAL  
SYNERGETIC EFFECT FROM  
THE KEY ACQUISITIONS  
IN 2013

# 206.9

MILLION TONNES OF OIL AND CONDENSATE – TOTAL PRODUCTION OF THE COMPANY WITH NEWLY ACQUIRED ASSETS

## Acquisition of Oil Company TNK-BP

On March 21, 2013, Rosneft completed the acquisition of TNK-BP, the third largest petroleum company in Russia with oil and condensate production in 2012 totaling 74.9 mln tonnes. By that moment Rosneft already was the largest player in the Russian oil industry producing 122.0 mln tonnes of oil and condensate (24% of the total production in Russia).

The acquisition of TNK-BP is one of the largest deals not only in the Russian energy sector, but also on the international scale. As a result of the deal, which cost some USD 57 bn, Rosneft became the world's largest public company in terms of liquid hydrocarbon production and reserves.

In 2013, the Company with its newly acquired assets produced 206.9<sup>29</sup> million tonnes of oil and condensate, or some 5% of the global production. The Company has rights to the largest fields in Western and Eastern Siberia, the Polar Urals, Sakhalin, and Central Russia, and owns assets in Brazil, Vietnam, Venezuela, and Ukraine.

On March 22, 2013, the integration of new assets started. The Rosneft Board of Directors adopted an integration action plan, approved a target organization structure of the Company, and set key objectives for working groups involved in the integration.

The management of Rosneft set an objective to carry out the integration in the most efficient way possible. Some measures toward this objective included a review of activities of the new assets, an evaluation of their best practices, coordination of development programs, and a detailed calculation of synergies for all business processes of the Company.

To provide overall management of the integration process, define strategic goals, and making key decisions with regard to the process, an Integration Management Committee chaired by Rosneft President was created. The Committee Secretariat was made responsible for the coordination and oversight of the process. The Company also created 21 working groups for each significant business area, comprised of relevant managers and specialists. The Secretariat and the working groups met on a weekly basis.

The consolidation of production and manufacturing assets, infrastructure, and human resource potential helped accelerate the Company's progress toward its strategic goals and optimize its asset portfolio.

## Consolidation of the Stock of Itera and Sibneftegaz Gas Companies

Gas production has been a priority development area for the Company.

In July 2013, Rosneft announced the acquisition of the remaining 49% stake in Itera Oil and Gas Company for USD 2.9 bn from Itera Holdings Limited, thus gaining full ownership of Itera.

The consolidation of Itera's stock helped Rosneft improve the effectiveness of asset management, open new opportunities for the growth of its business, and create a sustainable platform for the systematic implementation of Rosneft's gas strategy aimed at reaching a

gas production level of 100 bscm per year and becoming the largest independent gas producer in Russia. The deal secured prerequisites for the accelerated development of the Kynsko-Chaselskaya group of fields.

In December 2013, Rosneft also closed an asset swap deal with Novatek, consolidating a 99.94% stake in Sibneftegaz. The deal helped the Company gain full control over an important gas asset at the commercial development stage, consolidate its financial and operating performance, and enhance the quality of corporate procedures. The current level of gas production by Sibneftegaz is about 10 bscm per year; there is a potential for increasing the annual

output to 15 bscm by 2018 at a cost of relatively insignificant capital expenditures.

As a result of the consolidation of Itera and Sibneftegaz assets, in 2013 Rosneft produced 42.1<sup>30</sup> bscm of natural gas, becoming the third largest gas produced in Russia and gaining a large synergy for the creation of a major gas production center in Yamalo-Nenets Autonomous Area.

30 Including TNK-BP assets since January 1, 2013.

## INTERNATIONAL PARTNERSHIPS

### In 2013, Rosneft strongly asserted itself in the international arena, entering new production regions

The enhancement and development of partner relations with the world's largest energy companies became significant milestones in the Company's transformation from a national champion to a global oil and gas giant.

Rosneft's international partners in offshore projects are among the global leaders in terms of operational safety and environmental protection. The participation in joint projects imposes on Rosneft additional requirements and obligations in this area. In particular, the Company uses more stringent criteria when selecting personnel for the joint ventures and continuously

trains its staff in the international best practices in production technology, occupational health and safety, and environmental safety. The Company jointly with its partners carries out offshore exploration projects, using the most advanced solutions.

29 Including TNK-BP assets since January 1, 2013.

## Achievements under Strategic Partnership Agreements Signed prior to 2013

In 2013, the Company continued implementing agreements with international companies, including those concerning offshore projects. At the St. Petersburg International Economic Forum, the Company signed a number of specific documents with its key international partners – ExxonMobil, Statoil, and Eni S.p.A. – under existing framework agreements. This meant that certain financial commitments entered into force already in 2013.

Rosneft and ExxonMobil announced the completion of several important steps in their partnership, including the creation of joint ventures for the implementation of projects in the Kara Sea and the black Sea, and also expanded their cooperation to include additional 600 thousand square kilometers of exploration area in the Russian Arctic shelf, Rosneft's potential participation in the Point Thompson project in Alaska, and a joint study of the viability of the potential LNG project in the Russian Far East.

# 600000

SQUARE KILOMETERS OF EXPLORATION AREA IN THE RUSSIAN ARCTIC SHELF ADDITIONALLY INCLUDED INTO THE COOPERATION OF ROSNEFT AND EXXONMOBIL

Furthermore, the two companies signed documents creating a foundation for a new joint venture for pilot development of tight oil in Western Siberia. The Arctic Research and Design Center – a joint venture by Rosneft and ExxonMobil providing a full range of research, development and design services for oil and gas development in the Arctic – became fully operational.

In 2013, Rosneft and Eni S.p.A signed an agreement closing a number of deals on offshore projects in Russia. Both companies announced the completion of organizational arrangements for their cooperation, the signing of all final agreements, and the meeting of all conditions for the implementation of joint offshore projects in the Barents Sea and the Black Sea.

Rosneft and Statoil also announced the closing of deals for the development of deposits on the Russian shelf of the Barents Sea and the Sea of Okhotsk. Furthermore, the two companies signed an agreement on the basic principles of the joint pilot survey of the Domanik shale formation at 12 Rosneft's license areas in Samara Region.

Major joint projects with all partners on the Russian Arctic shelf are being implemented ahead of the schedule. It is planned to drill the first well already in 2014 – a year earlier than it is required by the license agreement. In the process, the Company gains invaluable experience of using

the most advanced technologies in the field, which will help it develop offshore deposits safely and efficiently in the future.

China is a longtime partner of Rosneft, and their partnership involves many projects. For example, Rosneft and the Chinese company CNPC implement a joint project for the construction of an oil refinery in Tianjin and marketing of petroleum products in China and other countries of the Asia-Pacific region.

Rosneft collaborates with Sinopec for the implementation of the Sakhalin-3 offshore project in the Sea of Okhotsk, and also for the joint management of Udmurtneft, an oil and gas production company.

In April 2013, an agreement on the creation of a joint venture between Rosneft and Corporacion Venecolana del Petroleo (CVP), a subsidiary of Venezuela's oil and gas company PDVSA, entered into force. Rosneft will hold a 40% stake in the operation that will develop Carabobo-2 North and Carabobo-4 West license blocks.

## New Strategic Partnership Agreements Signed in 2013



General Electric specialists demonstrate components of underwater wellhead equipment. The equipment is used for the sealing of offshore wells

In 2013, the Company continued to expand its international cooperation and signed a number of important strategic agreements.

In May 2013, a memorandum between Rosneft and PetroVietnam was signed in the presence of Vladimir Putin, President of the Russian Federation. The document helps strengthen Rosneft's positions in Southeast Asia.

At the end of May, Rosneft signed an agreement with the Japanese company INPEX Corporation for the joint development of Magadan-2 and Magadan-3 license blocks on the Russian shelf of the Sea of Okhotsk. According to Igor Sechin, Rosneft President, the agreement will contribute not only to the development of the Russian Far East, but also to the development of economic relations between Russia and Japan.

In June 2013, at the St. Petersburg International Economic Forum, Rosneft and ExxonMobil signed an agreement for the development of an LNG (liquefied natural gas) plant in the Russian Far East. Currently the project is at the front-end engineering and design (FEED) stage.

In August 2013, Rosneft signed an agreement with the State Oil Company of Azerbaijan Republic. The signatories agreed to join forces for the exploration and development of oil and gas in various countries, and the marketing and sales of hydrocarbons and petroleum products. The agreement also provides for joint use of components of infrastructure, including pipelines and terminals.

On October 21, 2013, Rosneft and Mitsui & Co. Ltd signed a Memorandum of Understanding concerning

the prospects for potential cooperation in the field of geological studies, prospecting and exploration works, and hydrocarbon production at license areas in Eastern Siberia and on the Russian shelf. Furthermore, the two companies reached an agreement on the joint development of the Eastern Petrochemical Company. Potential throughput of the first stage of the project – an oil refinery – is about 12 mln tonnes of oil

### Long-Term Contracts with Foreign Partners Signed in 2013

per year, whereas the planned throughput of the second stage – a petrochemical complex – is about 3.4 mln tonnes of petrochemical feedstock per year. Successful implementation of this project will contribute to the development of a petrochemical cluster in the Far East.

In the reporting year, General Electric became a new strategic partner of Rosneft. According to the agreement,

In 2013, Rosneft signed important long-term contracts for the supply of oil to China and liquefied natural gas – to Japan. The latter contract will help the Company enter the strategically important and the largest gas market in the Asia-Pacific.

In March of the reporting year, Rosneft and CNPC were authorized to implement an agreement between China and Russia on expanding cooperation in crude oil trading. The two companies signed long-term oil supply contracts worth a total of USD 270 bn.

Rosneft agreed terms and conditions of long-term oil supply agreements with the trading companies Glencore, Vitol, and Trafigura. The contracts signed at the beginning of 2013 provide for the supply of up to 66 million tonnes of oil over five years, and a prepayment of up to USD 9.8 bn.

In the reporting year, Rosneft signed agreements with PKN Orlen, one of Poland's largest

General Electric will provide technology and equipment to enhance the effectiveness and performance of the Company's production and processing operations; the two companies will also create a joint R&D center. Under a framework agreement, the companies signed a contract for the purchase of two highly efficient gas turbine units with minimum emissions for the Vankor group of fields.

oil companies, to supply oil to its refineries in Poland and the Czech Republic.

Furthermore, in 2013, Rosneft signed LNG supply agreements with the Japanese companies Marubeni Co. and Sakhalin Oil and Gas Development Co., Ltd. (SODECO), and the international trader Vitol. The agreements outline key commercial parameters of the deals. LNG will be supplied within the framework of Rosneft's new project in the Russian Far East. Beginning in 2019, Rosneft plans to supply annually 1.25 mln tonnes of LNG to Marubeni Co., 1 mln tonnes to SODECO, and 2.75 mln tonnes to Vitol.



At the 17th St. Petersburg International Economic Forum, Rosneft signed an unprecedented number of agreements economically significant both to the Company and to Russia

### Geography of International Exploration and Production Projects

Rosneft's international expansion is driven not only by its goal of becoming one of the largest international players, but also by the depletion of traditional Russian deposits. This makes it imperative to develop new oil and gas provinces, where advanced technology is a key to success.

The Company already implements international exploration projects in Algeria, the UAE, the Gulf of Mexico, Brazil, Vietnam, on Abkhazia's Black Sea shelf, and in Venezuela. The total recoverable reserves for all those projects are estimated at over 220 mln tonnes of oil equivalent.

In June 2013, following the results of the 22nd Licensing Round announced by the Norwegian Ministry of Petroleum and Energy, RN Nordic Oil AS, a 100% indirect subsidiary of Rosneft, was granted a 20% stake in the license PL713. The company will develop the block as a partner of Norway's Statoil. The license will help Rosneft enter Norway's shelf in the Barents Sea. Over the course of the project, the partners will be using the most advanced technologies for the exploration and subsequent development of hydrocarbon resources in regions with difficult climatic conditions.

**220**

MILLION TONNES OF OIL EQUIVALENT – ESTIMATED AMOUNT OF RECOVERABLE RESERVES UNDER THE INTERNATIONAL EXPLORATION COMPANY PROJECTS

# CORPORATE GOVERNANCE SYSTEM<sup>31</sup>

**The management of day-to-day operations of Rosneft is the responsibility of the Sole Executive Body (the Company President) and the Collective Executive Body (the Management Board), both of them being accountable to the Board of Directors and the General Meeting of Shareholders**

In 2013, following the acquisition of TNK-BP assets, Rosneft's shareholder structure changed. Now BP holds a 19.75% stake in Rosneft. Robert Dudley, a representative of BP, joined the Board of Directors, and new independent directors were appointed.

Members of the Rosneft Board of Directors have necessary experience and expertise in the field of sustainability; some of them also serve as trustees of significant cultural and scientific organizations:

**Igor Sechin**, President and Chairman of the Management Board of Rosneft, Deputy Chairman of the Rosneft Board of Directors, in the course of his higher professional education studied such areas as responsible finance, HR management, and energy efficiency.

**Donald Humphreys**, an independent member of the Board of Directors and a member of the Audit Committee and the Strategic Planning Committee, in the course of his higher professional education and his work at ExxonMobil studied such aspects of sustainability as business ethics and anti-corruption practices, occupational health and safety, and industrial safety. Over the course of his

career Donald Humphreys supervised various areas related to non-financial risk management, environmental management, occupational health and safety, industrial safety, business ethics, and prevention of corruption practices. He is also a member of the Board of Directors of the Texas Parks and Wildlife Foundation, an environmental non-governmental organization.

**Andrey Kostin**, Deputy Chairman of the Rosneft Board of Directors, a member of the Audit Committee and the HR and Remuneration Committee, has expertise in the following areas of sustainability: responsible finance, non-financial risk management, business ethics and anti-corruption practices, and HR management. Andrey Kostin is also a member of the Bolshoi Theatre Board of Trustees, a member of the "Friends of Russian Museum" Museum Development Fund, President of the Russian Gymnastics Federation, a member of the Board of Trustees of the Fund for the Support and Development of Physical Culture and Sports in the Russian Federation, a member of the Board of Trustees of the Moscow State University and a number of other cultural and educational institutions

**Nikolai Laverov**, an independent member of the Rosneft Board of Directors, Chairman of the Strategic Planning Committee, has extensive expertise and experience with regard to sustainability, including such areas as non-financial risk management, climate change and greenhouse gas emissions, as well as stakeholder engagement. Over the course of his longtime work for government bodies, industrial organizations, and international projects he has dealt with the use of sub-soil resources, environmental protection, energy sector, radioecology, and the monitoring of natural and technogenic disasters. Nikolai Laverov is the Chairman of the Interagency Commission for Environmental Security of the Security Council of the Russian Federation, Chairman of the RAS Scientific Council for Ecology and Emergency Situations, Head of Research at the UNESCO Sustainable Development College and Department at D. Mendeleev University of Chemical Technology of Russia, Head of Research at the International Institute of Energy Policy and Diplomacy at MGIMO University etc. Furthermore, he was the Chairman of the Russian Government's Expert Council on the Energy Program until 2020.

**Robert Dudley** a member of the Rosneft Board of Directors and a member of the Strategic Planning Committee, serves on the Board of Trustees of All-Russian Non-Governmental Organization "Russian Geographical Society".

In 2013, agenda of Board meetings included a number of items related to sustainability. Some of them were:

- on the implementation of the Energy Conservation Program of Rosneft in 2012;
- on the approval of the Energy Conservation Program of Rosneft for 2014–2018;
- on the approval of the Company's Hydrocarbon Processing Policy;
- on the Concept of Development of the Risk Management System at Rosneft;
- on the approval of the Company's Emergency Preparedness and Response Policy;
- on the approval of the report on the implementation of Rosneft's Innovation Development Program in 2012;
- on the approval of the Company's Policy on the Internal Control and Risk Management System.

At the Board level, the Company's sustainability reports are reviewed by the HR and Remuneration Committee. Environmental management, OHS, and industrial safety are traditionally overseen by the Board's Strategic Planning Committee.

It is Rosneft Vice President for HR and Social Policy who is responsible for coordinating the preparation of the Company's sustainability reports.

<sup>31</sup> For more details about the Company's corporate governance system see Rosneft Annual Report 2013.

## SHAREHOLDER RELATIONS

**The principle of the maximum possible consideration of opinions and interests of all shareholder groups through the corporate governance system is an essential element of the Company's Sustainability Policy. To ensure and secure the rights of minority shareholders, the Company adheres to the individual approach to shareholder relations**

Shareholders of OJSC Rosneft Oil Company can participate in the General Meeting of Shareholders and vote on all issues within its authority. Shareholders that collectively own at least two percent of voting shares have the right to include items on the agenda of the General Meeting of Shareholders and nominate candidates for the Board of Directors, the Audit Commission, and the position of Rosneft President. Each year, prior to the annual General Meeting, the Company studies views and opinions of its shareholders in order to come up with a relevant meeting agenda.

Shareholders are informed about upcoming General Meetings of Shareholders and their proposed agenda via Rosneft's official website, mass media, and personalized mailing of meeting announcements and voting ballots to each shareholder of the Company. Materials that, according to the legislation, have to be available to shareholders prior to the meeting

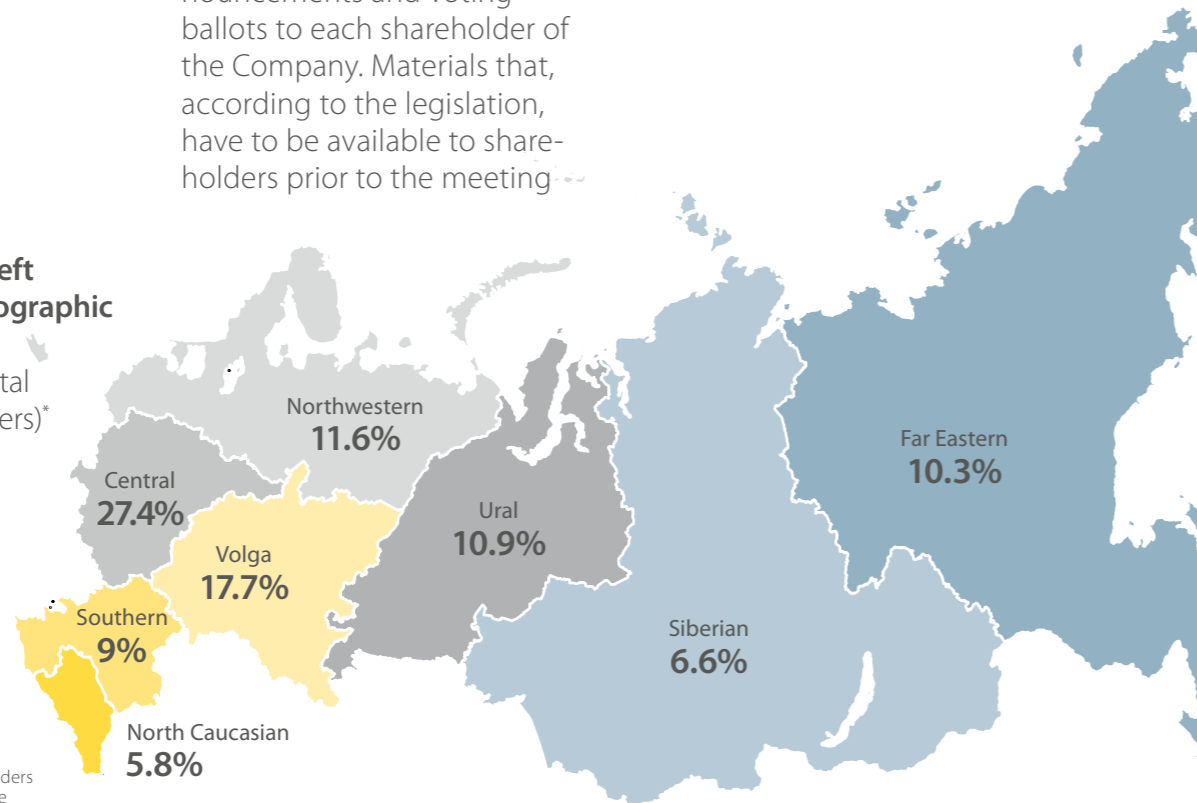
are published on Rosneft's website and are made available at Rosneft offices, as well as at the central office, branches, and transfer agent offices of Rosneft's registrar, Reestr-RN.

Answers to the questions frequently asked by shareholders are available in the respective section of the corporate website. The questions cover such areas as exercising shareholders' rights, payment of dividends, registration of shares and transactions involving them, as well as general information about the Company.

Furthermore, to improve transparency of Rosneft's operations and effectiveness of shareholder relations, the Company's Shareholder Relations Division maintains a multi-channel shareholder hotline.

### Breakdown of Rosneft shareholders by geographic region

(percentage of the total number of shareholders)\*



\*0.7% – the percentage of shareholders of the Company registered outside Russian Federation

### Acquisition of minority shares in RN Holding (former TNK-BP Holding)

On March 21, 2013, Rosneft completed a series of deals that collectively resulted in the acquisition of a 100% stake in the charter capital of TNK-BP Limited, the ultimate holding company of TNK-BP, and its subsidiary TNK Industrial Holdings Limited. By doing so, OJSC Rosneft Oil Company acquired indirect control of 94.67% of the charter capital of RN Holding (formerly – TNK-BP Holding).

On November 6, 2013, Rosneft made a voluntary offer to buy the stock of RN Holding owned by non-controlling shareholders. The offered buyout price was RUB 67 for a common registered share and RUB 55 for a preferred registered share. These prices were set at a weighted average of the stock prices at MICEX Stock Exchange over 18 months preceding September 26, 2013. As a result, the buyout prices reflected a premium of 24% and 25% respectively to the closing prices at MICEX as of September 26, 2013.

As a result of the voluntary offer, Rosneft acquired 14.88% of RN Holding shares at a total of RUB 149 bn, thus increasing its share in the charter capital of RN Holding to 99.54%. On May 16, 2014, Rosneft successfully completed the buyout of the remaining minority shares, thus acquiring indirect control of

100% of common and preferred registered shares of RN Holding.

For the convenience of RN Holding shareholders, Rosneft created a large network of offices receiving buyout applications, which covered over 70 Russian cities. At such an office any shareholder could file his or her application and receive a professional consultation.

Veterans of the oil industry were offered a special program whereby they were able to exchange their shares of RN Holding for Rosneft shares. Over 300 minority shareholders of RN Holding took advantage of this offer.

## INVESTOR RELATIONS

**In 2013, the Company continued to maintain and develop its investor relations based on the principle of the maximum transparency**

One of the key events of the reporting year was the Investor Day held in London with the involvement of Rosneft President, where the first analysis of results of the acquisition of TNK-BP was presented. In addition to standard forms of investor relations (e.g. public presentations of quarterly results), a number of roundtable meetings with analysts were held in 2013. The agenda of the meetings covered aspects of the Company development most interesting to investors, such as: maintaining output at mature fields, potential for the development of hard-to-extract reserves, and changes in the tax legislation. Open

teleconferences were organized for investors who were unable to attend the meetings in Moscow. Another investor event was a meeting with representatives of Rosneft business sectors to discuss the result of the first half of the year.

Furthermore, analysts were offered several events to help them get more immediate knowledge of the Company's business (the Processing, Commerce, and Logistics Day, which involved a visit to the Tuapse Refinery; a visit to Rosneft's Corporate Research and Technology Centre with the demonstration of advanced innovative solutions developed at Rosneft).

## DISCLOSURE

**Maintaining high levels of corporate governance and transparency is a key priority to the Company**

In the reporting year, Rosneft won the award For Active Corporate Disclosure Policy. The award was established a decade ago by authorized agencies Interfax and AK&M for the leading companies in terms of timely

and complete disclosure of investor information. Rosneft became the first company to receive the award twice.

# SUSTAINABILITY MANAGEMENT

## SUSTAINABILITY POLICY

Rosneft has had and implemented a corporate Sustainability Policy since 2009. The policy is intended to support the implementation of strategic goals of the Company as one of the world's largest public energy companies, since achieving them requires upholding the high standards of environmental and operational safety, social responsibility, and corporate governance.

The policy applies to all assets of OJSC Rosneft Oil Company and defines key principles of sustainability activities at all subsidiaries and dependent companies. The implementation of the policy is supervised in accordance with the Company's procedures. The Rosneft Sustainability Policy

is available in the Sustainable Development section of the corporate website.

In the reporting year, the Company started to update its Sustainability Policy in order to address such new challenges as serious expansion of the scale of operations, the beginning of operations on the Arctic shelf with its vulnerable environment, and the need to adhere to international best sustainability practices to the maximum extent possible.

## DEVELOPMENT OF THE COMPLIANCE SYSTEM

**To a significant extent, the Company's success is based on building strong relations with the government, business partners, customers, and society**

The robustness of those relations is based on profound recognition of the need to reliably supply the economy with sufficient energy resources and on compelling demonstration of Rosneft's commitment to improving product quality, innovations, and good faith adherence to

universally recognized requirements and obligations – legal, ethical, and other professional standards and norms – everything that is termed "compliance" in global business practice.

The Company's management realizes the importance of



maintaining high professional and ethical standards of doing business and enhancing the transparency of operations. That is why in 2013 it was decided to deploy a Company-wide compliance system, which would take into account the specifics of running joint ventures with the leading international companies, the changed scale of Rosneft operations, and requirements of stock exchanges and investors. The compliance system is a part of the internal control system and, more broadly, of the corporate governance system. Based on a review of the current state of the compliance system, the Business Ethics Council approved several priority areas for actions to minimize compliance risk, including combating corruption and fraud, compliance with listing requirements of stock exchanges, prevention of monopoly practices, procurement, and trade sanctions compliance.

A dedicated working group on compliance activities was created under the Business Ethics Council. The objectives of the group, whose members were appointed in November 2013, include, among others:

- development of a methodology for ensuring compliance of the Company's activities with applicable legislation;
- coordination of the identification of compliance risks;
- development of an integrated program for compliance risk minimization;

- monitoring of compliance activities and preparation of respective reports;
- updating of the fundamental corporate policies, planning and implementation of training events, and keeping personnel informed of the key compliance risks and measures to control them.

In 2013, key compliance management activities included: the training of the Company's vice presidents and compliance experts; development of a personnel compliance training plan for 2013–2015; identification of key compliance risks; and development of a draft Integrated Fraud and Corruption Prevention Program.

In 2014, it is planned to develop the company's Compliance Policy. It is also planned that by the end of 2014 all Company employees will receive basic compliance training. Furthermore, the Company plans to continue identifying specific compliance risks and integrate them into the overall risk management system, as well as develop and update local regulations on the key areas of compliance.

An important area of compliance management at the Company is prevention of corruption, which is regulated by the Policy on Counteracting Involvement into Corruption. One important action in this area was the launch, in May 2013, of a 24/7 Security Hotline to

receive reports on incidents of corruption, fraud, and theft. The hotline incorporates best practices of the world's leading companies. Necessary equipment and software was deployed; relevant corporate regulations were adopted; an integrated information support plan was implemented. The service was announced on the corporate website, and in corporate and regional media. The hotline is staffed by skilled professionals.

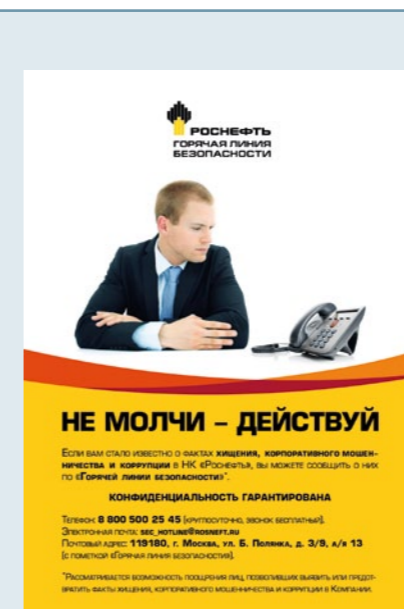
Pursuant to a decision of the Board of Directors, the Company runs a corporate awareness campaign to promote zero tolerance for corruption among managers and employees of Rosneft. In 2013, criminal cases against several officials implicated in corruption and fraud were filed. The Company publishes a dedicated corporate newsletter titled "Everything about Compliance", which covers corporate fraud and corruption prevention activities.

An integral part of the compliance system is Rosneft's Code of Business Ethics adopted in 2008. To get feedback on compliance matters, the Company maintains a dedicated mailbox, making it possible for each employee to confidentially report alleged breaches of the Code. All reports are reviewed by the management; in case of identified non-compliance proper measures are taken.

In the reporting year, based on outcomes of an internal

audit of the Company's ethics management activities and taking into account the expanded scale and geography of Rosneft's business, it was decided to update the

Code of Business Ethics, taking into account international best practices. It is planned that the Code will be revised in 2014.



### Performance of the Security Hotline

Between May and December 2013, 2782 reports were filed via the Security Hotline. The review of the reports helped prevent significant financial losses and other damage to the Company.

### The Rosneft Code of Business Ethics

The Rosneft Code of Business Ethics defines principles and rules of business conduct based on ethical values and professional standards. The requirements of the Code

are binding on all managers, officials and employees of the Company.

The provisions of the Rosneft Code of Business Ethics are aimed at:

- promoting ethical behavior of employees;
- preventing the realization of fraud and corruption risks;

- strengthening and maintaining trust of the business community in the Company;
- ensuring compliance with Russian and international legislation.

# RISK MANAGEMENT

Rosneft has a company-wide corporate risk management system (CRMS). Objectives and operating principles of the system are defined by the corporate Internal Control and Risk Management System Policy, which was developed using input from international professional organizations in the field of internal control and risk management, including the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and approved in 2013<sup>32</sup>. In the reporting year, the Rosneft Board of Directors also approved the Risk Management Concept, a document defining a medium-term roadmap for the development of the CRMS.

The corporate risk management system functions at all levels of the Company's organizational hierarchy and covers all autonomous structural units of Rosneft headquarters. It is planned that in the medium term the system will cover all key subsidiaries of OJSC Rosneft Oil Company. As part of CRMS functioning, the Risk Department produces quarterly risk reports, which include a register and a map of corporate-level risks, as well as a comprehensive list of risk response actions. Seeking to ensure the completeness and correctness of risk identification and assessment, the Company has introduced positions of risk experts (currently there are over 50 experts at various autonomous structural units). Risk experts participate in the identification, assessment, and management of risks, as well as in risk reporting at the level of Rosneft's functions and business sectors. In 2013, all organizational units across Rosneft used common standards and methodology to identify and assess their risks. The Company's departments, responsible for human resource management, social policy and corporate culture, environmental management, occupational health and safety, and emergency preparedness, among others, participated in risk identification and assessment processes.

The Company pays serious attention to identifying and assessing business process risks, and to improving the effectiveness of internal control procedures. Rosneft's risk-based internal control system (RBICS) is closely integrated with the corporate risk management system. The RBICS supports the identification and assessment of business process risks, the assessment of design of internal control mechanisms and procedures, and their improvement.

The Company management reviews and approves risk reports on a quarterly basis. Approved reports are made available to all interested users within the Company to support the consideration of relevant risks in their decision-making.

<sup>32</sup> The policy is available on the corporate website.

## Key Risks Associated with the Company's Operations

**The Company's industry, country, regional, financial, and legal risks are discussed in detail in the Annual Report. This section focuses on sustainability risks, including those related to HR management and social policy, occupational health and safety, industrial safety, and environmental impacts**

### Risks related to prices for crude oil, gas, and petroleum products

The Company's financial and economic performance is immediately tied to prices for its products, and a decline in those prices may lead to a reduction in the amount of oil and gas that Rosneft can produce profitably. In turn, this may lead to a reduction in the amount of reserves that can be developed in an economically sound manner, and to a lower economic efficiency of the Company's prospecting and exploration programs. To minimize this type of risks, in case of price reduction or a price differential between domestic and international markets the Company may

redistribute its product flows, and manage its operating and capital expenses.

### Risks related to the dependence on monopoly providers of oil, gas, and petroleum product transportation services and on their rates

A feature of Rosneft's business is the dependence on such monopoly providers of product transportation services as Transneft, Russian Railways, and Gazprom, and the lack of control over the infrastructure operated by them and their rates.

### Risks related to constraints on the transportation of gas produced by the Company

Virtually all natural gas produced in Russia is transported through the United Gas Supply System (UGSS) owned and operated by Gazprom. A further increase in the Company's gas production and its sales to independent regional traders and independent industrial customers will depend on sufficient access to the UGSS, whereas at present there are no guarantees of such access in the future. Rosneft manages this risk by entering gas transportation contracts with Gazprom and by relying on moderate gas price projections when making decisions on the implementation of new gas production projects.

### Risks related to uncertainty in oil and gas reserve estimates

The data on oil and gas reserves used by the Company are estimates based mainly on the results of internal analytical work by the company Degolyer and MacNaughton (D&M), an independent consultant to Rosneft on petroleum engineering. The actual size of reserves may differ from those estimates substantially.

### Competition risks

The oil and gas industry is intensely competitive. Rosneft competes mainly with other leading oil and gas companies in Russia and is one of the industry leaders both nationally and globally, which significantly strengthens its competitive standing. The Company's substantial portfolio of new projects will help it maintain and enhance its competitive edge in the future.

### Geographic and climate risks

The Company's regions of operation have a stable climate and generally are not prone to natural emergencies or disasters. However, abnormally low winter temperatures in a number of northern regions may complicate operations of the Company's oil production enterprises.

>50

RISK EXPERTS WORK IN VARIOUS AUTONOMOUS STRUCTURAL UNITS OF THE COMPANY

Exports via Black Sea terminals to Mediterranean ports may be constrained by the throughput of the Bosphorus and by weather conditions (storm winds) in the Black Sea during the autumn. Also, complicated ice conditions during the winter may lead to a suspension of operations of export terminals on the Baltic Sea and at De-Kastri. An extended delay in the functioning of export terminals may have adverse effect on the Company's operating performance and financial position.

**Risks related to environmental impacts, industrial safety, and OHS, which may lead to substantial costs**

All types of the Company's core operations, including exploration, production, processing, and transportation of oil, petroleum products, and gas, involve environmental, safety, and health risks. The most significant risk in this area is associated with potential accidents and incidents at the Company's facilities, which may lead to oil spills, land contamination, air pollutant emissions in excess of established limits, contamination of water bodies, and injuries among employees of the Company and its contractors. Seeking to minimize these risks, the Company makes substantial efforts to analyze the causes of accidents and incidents with subsequent adjustment of relevant processes and other corrective actions, strengthens oversight of production equipment and OHS

training of personnel, and ensures continuous emergency preparedness.

The Company has in place a common framework for managing OHS risks. In 2013, the key areas of activity within this framework included:

- identifying participants of risk management processes and their responsibilities;
- determining procedures of interaction between the Company's employees with regard to risk management;
- introducing common approaches towards risk identification and management;
- defining procedures for maintaining records of risk identification and assessment results.

**Risks related to human resource and social policy of the Company**

Personnel is the foundation of Rosneft's successful business. In the context of expansion of operations in difficult conditions, including offshore projects, participation in international projects, and expansion of collaboration with partners, the level of employee motivation and skills directly affects financial performance of each individual unit and the entire Company. Based on the results of an assessment of HR and social policy risks, the Company has identified three key categories of such risks: risks associated with the unification of the corporate culture, particularly in the context of the integration of new assets; risks associated with the fulfillment

of the Company's social commitments; and risks of the scarcity of requisite skills for existing and planned projects. The Company manages these risks by implementing a number of measures to attract and retain skilled specialists, analyzing its internal corporate environment, and developing and improving relevant procedures and policies in the field of HR management, social development and corporate culture with the expectations of new stakeholders taken into account.

**Country and regional risks**

The Company operates in all federal districts of the Russian Federation. The development prospects of the federal districts and potential social and economic risks involved in doing business there are described in the Medium-Term Socio-Economic Development Program of the Russian Federation.

The Company notes possible exposure to risks associated with changes in the international situation. Furthermore, the Company is exposed to risks associated with its activities outside of the Russian Federation. Most of the Company's foreign operations are based in developing economics characterized by more serious political, economic, social, and legal risks than countries with more developed markets. In many regards, the risks of doing business in such countries are similar to or more significant than those typical to Russia.

**Financial risks**

The Company actively expands its business using both its own resources and borrowed funds. Most of Rosneft's gross revenue is generated from export of crude oil and petroleum products. Consequently, fluctuations in currency exchange rates against the ruble affect the Company's financial performance, exposing the Company to currency risk. The Company's currency risk is

mitigated to a significant extent by the existence of costs and loans denominated in foreign currencies.

Being a major borrower, Rosneft is also exposed to risks related to changes in interest rates.

**Legal risks**

The Company's business is exposed to a number of legal risks, including those associated with inspections by

regulatory authorities; potential changes in the currency and tax legislation, customs rules and duties; and violation of anti-monopoly laws. Furthermore, there are risks related to legal regulation of subsoil resource use, land use and urban development, as well as ongoing litigations involving the Company. A category of legal risks of special importance to Rosneft is those associated with changes in environmental and operational safety legislation.

**Risk Insurance**

Rosneft has in place a comprehensive risk insurance program for enterprises that have the biggest impact on the key aspects of the Company's financial and economic performance. In 2013, the Company expanded its risk insurance program with newly acquired assets taken into account.

Rosneft has comprehensive liability insurance policy which provides coverage of the entire range of its activities, including offshore production operations on the Russian shelf.

The Company practices risk insurance in joint projects with foreign partners, including offshore projects in Russia and overseas operations.

OJSC Rosneft Oil Company has had directors' and officers' liability insurance in effect since 2006.

# STAKEHOLDER ENGAGEMENT

## Stakeholder engagement is the foundation of the Company's sustainable development

Rosneft holds meetings with its stakeholders on a regular basis, in doing so demonstrating its openness and readiness for constructive dialogue. This approach is supported and appreciated by stakeholder groups and the public at large.

The main outcome of stakeholder engagement is the creation of favorable conditions for projects of the Company's regional operations, and removal of possible obstacles stemming from the misunderstanding of Rosneft's development

priorities and activities by stakeholders. Maintaining ongoing dialogue with local communities is a key aspect of the Company's approach towards stakeholder engagement. Keeping all sectors of the society properly informed is an effective instrument of maintaining the Company's positive reputation, which helps build partner relations and create synergies between development of the Company's business and its regions of operation.

## PUBLIC HEARINGS IN THE COMPANY'S REGIONS OF OPERATION

Ongoing dialogue with local communities maintained by the Company's subsidiaries offers all opportunities for addressing issues most relevant to stakeholders, communicating different views and expectations, finding a balance of interests, and identifying opportunities for cooperation.

In accordance with the Russian legislation on environmental impact assessment of new projects, Rosneft subsidiaries hold public hearings in the

areas that may be affected by planned activities. For example, RN-Shelf-Far East in 2013 carried out eight public hearings with regard to exploration programs at Rosneft's license areas, including those developed jointly by Statoil and ExxonMobil. The public hearings were held not only in cities and towns (Magadan, Arkhangelsk, Anadyr), but also in such settlements as Ola (Ola district), Okhotskoe (Okhotskoe district), and Egvekinot (Ilyutin district of Chukotka Autonomous

Area). Participants of events approved the Company's proposals, including impact assessment results and planned mitigation actions. Minutes of public hearings were signed by heads of respective municipalities.

In November 2013, RN-Shelf-Arctic, a Rosneft subsidiary, conducted a public hearing in Nickel (Murmansk Region) to discuss proposed activities at the Perseevsky license area, being explored jointly with Statoil. The subject of the hearing was a program of integrated geophysical studies, including environmental assessment materials. At present, those materials undergo state environmental review.

As part of the implementation of a joint project with ExxonMobil, in October 2013 Karmorneftegaz (an operator company for the Kara Sea project of Rosneft and ExxonMobil) successfully conducted public hearings in Arkhangelsk Region and Yamalo-Nenets Autonomous Area. The purpose of the hearings was to inform the interested public about results of environmental impact assessment for the construction of prospecting and appraisal wells in the Kara Sea, and about the associated oil spill prevention and control plan. Participants of the hearings included residents of the respective municipalities, as well as representatives of state authorities, municipal bodies, and non-governmental organizations.

In the reporting period, a public hearing in Turukhansk (Krasnoyarsk Territory) was carried out by Vankorneft to discuss project materials for a horizontal flare unit with a sump for thermal treatment of water-methanol mix. The project materials discussed with the public of Turukhansk district and minutes of the hearings were submitted for state environmental review, which approved the project.

In Primorsky Territory, Rosneft pays special attention to the construction of a petrochemical complex of Eastern Petrochemical Company (EPC). In January 2013, a public hearing to discuss environmental impact assessment materials for EPC's construction projects was held in the settlement of Vranghel (Nakhodka urban district). Hearing participants included local residents, as well as representatives of environmental and non-governmental organizations. Prior to the hearing, EPC opened visitor's centers in Nakhodka urban district and Partizansk municipal district, where draft EIA materials were available to all interested persons since December 2012.

At the same time, the Company also took part in a roundtable meeting organized by the Russian Nature Conservation Society (RNCS) and Nakhodka urban district. At the meeting, RNCS experts presented a list of recommendations intended to reduce adverse environmental

impacts of the petrochemical complex construction. All recommendations received by the Company were reviewed and taken into account when finalizing design documentation.



## ROUNDTABLE MEETINGS IN THE KEY REGIONS OF OPERATION

**In 2013, the Company carried out the seventh annual series of roundtable meetings with stakeholders in order to support the implementation of Rosneft's Sustainability Policy**

The meetings were held in 16 key regions of operation with 39 Rosneft subsidiaries taking part in them. They represented all stages of the Company's value chain, including oil and gas production, refining, and marketing. Such an approach helps cover the entire range of the Company's objectives.

The meetings involve constructive discussion of relevant economic, social, and environmental aspects of the Company's business with stakeholders – representatives of regional and municipal authorities, regulatory bodies, business partners, indigenous communities, and the general public in the Company's key regions of operation.

The seventh series of roundtable meetings focused on joint discussion of the Company's sustainability performance in 2012–2013 and prospects for 2013–2014. Special attention was paid to analyzing recommendations offered by stakeholders during previous series. It is results of actions taken between roundtable meetings

that demonstrate the effectiveness of such events.

The 2013 meetings demonstrated a certain shift in the focus of collaboration of Rosneft subsidiaries with local authorities and regional business circles. The model of engagement has evolved from simple provision of financial resources to regional stakeholders to integrated, mutually beneficial cooperation. The Company's enterprises expand local employment and procurement of goods and services from local providers.

Rosneft subsidiaries actively engage with environmental non-governmental organizations. Employees of the Company's operations participate in joint initiatives to improve the environment, including planting trees and brushes, as well as cleaning floodplains, banks, and bottom of water bodies from trash.

Furthermore, Rosneft subsidiaries annually participate in international environmental

events, such as the festival Save and Protect (Khanty-Mansi Autonomous Area – Yugra), and forums of environmental professionals of oil and gas regions, where they inform public about their plans and innovative solutions that help reduce environmental impacts.

Oil and gas production subsidiaries of the Company pay special attention to engagement with indigenous communities, since some production projects are implemented in their traditional areas. The Company

sees it important to support traditional economic practices of indigenous peoples thus helping them preserve their unique lifestyle.

The seventh series of roundtable meetings titled "Relevant objectives of sustainable development of Rosneft, its subsidiaries and regions of operation, and approaches towards achieving them in 2013–2014" was completed in May 2013 in Smolensk. Overall, participants of the meetings appreciated performance of the Company and its subsidiaries with regard

to key areas of sustainability: environmental protection, industrial safety, occupational health and safety, socio-economic development of regions of operation, and human resource management.

The project made significant contribution to the achievement of Rosneft's objectives and helped strengthen mutual understanding and constructive cooperation with regional stakeholders.

Region	City	Meetings	
		2007–2012	2013
Altai Territory	Barnaul	1	–
Arkhangelsk Region	Arkhangelsk	4	+
Irkutsk Region	Angarsk	5	+
Krasnodar Territory	Krasnodar	3	+
	Tuapse	5	+
Krasnoyarsk Territory	Achinsk	2	–
	Krasnoyarsk	3	+
Primorsky Territory	Nakhodka	1	+
Komi Republic	Usinsk	6	+
Udmurt Republic	Izhevsk	5	+
	Novokuibyshevsk	1	–
	Samara	5	+
Samara Region	Syzran	–	+
	Samara	5	+
Sakhalin Region	Yuzhno-Sakhalinsk	6	+
Smolensk Region	Smolensk	2	+
Stavropol Territory	Stavropol	3	+
Khabarovsk Territory	Komsomolsk-on-Amur	4	+
	Khabarovsk	2	–
Khanty-Mansi Autonomous Area	Nefteyugansk	6	+
Yamalo-Nenets Autonomous Area	Gubkinsky	5	+

**Regions where roundtable meetings with stakeholders to discuss Rosneft's sustainability performance were held**

**39**

SUBSIDIARIES TOOK PART IN  
ROUNDTABLE MEETINGS  
THAT WERE HELD IN

**16**

KEY REGIONS OF  
THE COMPANY'S OPERATION

## Key Topics of Roundtable Meetings

The issues discussed at the roundtable meetings covered several key topics:

### Development strategies of Rosneft subsidiaries

Development plans and strategies receive much attention at roundtable meetings, since their implementation determines Rosneft's ability to contribute to socio-economic development of its regions of operation. Traditional topics for discussion in this area include the Company's plans with regard to oil and gas production, development of new fields, modernization of refineries and infrastructure, and development of the network of filling stations. The period when the meetings took place was marked by an early stage of the integration of TNK-BP assets, and this provided new topics for discussion, including approaches towards interaction between gas production and processing subsidiaries in the Company's regions of operation.

### Environmental performance, safety, and health

The issues of the most interest to stakeholders in this area has been pollutant emissions to air and recovery of associated petroleum gas (APG). However, the 2013 series of meetings has demonstrated that the issues of APG recovery gradually become less pressing. Many Rosneft

subsidiaries have achieved the 95% recovery level required by the government, whereas the remaining operations implement actions to achieve that level. During the seventh series of meetings, the focus of the discussion shifted from APG recovery to issues of waste disposal, land reclamation, development of accidental spill removal plans, and creation of corporate fire brigades.

Such topics as improvement of corporate regulations, resettlement of residents from sanitary buffers of the refineries being upgraded, violations of environmental legislation by contractors and subcontractors, and development of voluntary environmental initiatives continued to attract the interest of stakeholder. The problem of collection and disposal of used petroleum products, particularly lubricants, still unresolved on the national scale, remains a pressing issue.

The issues of land remediation remain pressing for oil production subsidiaries. In particular, this problem was discussed in detail at the roundtable in Gubkinsky (where oil fields are developed by RN-Purneftegaz). What makes land remediation in that region particularly difficult is a limited time span available for such kind of work each year due to severe climate. The Company makes serious efforts to improve the quality of remediation works at oil fields and optimize their timing.

Another pressing issue is environmental performance of Rosneft's contractors: at the meeting in Krasnoyarsk, participants emphasized the need to strengthen oversight of contractors' performance and enhance transparency of their activities.

### Contribution to the development of regional economies and infrastructure

The roundtable meetings demonstrate that the Company makes significant contribution to the development of its regions of operation. The mechanism of socio-economic cooperation agreements with the Company helps regional governments receive additional financial resources for the development of their areas. The topics discussed at the roundtable meetings in the reporting period included integrated development of the regions, local procurement, condition of infrastructure used by the Company, trends in prices on petroleum products etc.

Meeting participants also actively discussed the Company's social activities, which attracted strong interest from residents of the regions of operation.

### Education

Cooperation of Rosneft subsidiaries with universities in order to make their programs better fit the Company's demand for skills remains one of the central topics of the

discussions. This topic covers a range of more specific objectives, such as determining the need for specific skill sets, joint organization of the teaching process, vocational guidance activities, and improvement of universities' training infrastructure. Meeting participants also discussed the Company's involvement in education at the school level, specifically mentioning the increasing role of the corporate program Rosneft Classes.

Other relevant topics raised at the meetings included

professional development of Rosneft staff and the level of skills among local workforce. These topics were discussed at the meetings in Samara and Komsomolsk-on-Amur. At the meeting in Nefteyugansk participants discussed the Company's needs for skilled workers and possible ways to meet those needs.

In addition to training skilled specialists, the universities and departments with relevant expertise seek to expand cooperation with the Company and its subsidiaries,

providing research and development services. The universities are also interested in the involvement of Rosneft subsidiaries in upgrading skills of their faculty and providing vocational guidance for students.

## Implementation of Proposals of Previous Roundtable Meetings

Most topics discussed at the roundtable meetings were relevant to many regions of operation at once.

One such topic is the implementation of proposals discussed at previous meetings. For example, participants of the meeting in Izhevsk believed that the key evidence

of its effectiveness was the implementation of proposals of the previous meeting: of 16 proposals agreed in 2012, 14 were implemented by the time of the 2013 meeting. They included the implementation of the corporate gas and environmental programs, as well as the integrated program of equipment modernization, improved preparation of high school students for university programs related to the oil and gas sector, increase in the

salaries paid to personnel of service subsidiaries etc.

The meetings held in Arkhangelsk, Samara, Krasnoyarsk, Angarsk, Komsomolsk-on-Amur, Stavropol, and Smolensk demonstrated the strength of the Company's reputation as a reliable provider of high-quality petroleum products: local authorities wanted to have many more Rosneft filling stations in their areas than they had at the moment.

## Enhancement of the Format of Roundtable Meetings

In 2013, a number of Rosneft subsidiaries took steps to improve the format of the roundtable meetings. For example, participants of the meeting in Krasnoyarsk, in addition to traditional

presentations by representatives of regional subsidiaries, were offered a presentation film about results and prospects of the development of the Company's operations in Krasnoyarsk Territory.

In Sakhalin Region, Rosneft personnel and other stakeholders from regional oil

production centers – Okha and Nogliki – were able to participate in the meeting via video conferencing. Representatives of the remote communities located in the north of the island were able to follow the discussion, ask questions, and formulate their proposals in real time.

# INNOVATION DEVELOPMENT

Rosneft seeks to become a global technology leader of the energy sector through the development of innovations. The results of the Company's innovation development program show that Rosneft steadily progresses toward this goal



A major upgrade of the Komsomolsk Refinery is a project on the scale of the construction of a new plant. The program involves the construction of new hydrocracking, reforming, and coking units, and 25 other facilities

Currently the Company implements a number of large-scale innovation projects, which involve research and advanced development activities, deployment of new technologies, as well as modernization of existing processes and facilities.

As a result of merging the budgets of Rosneft and TNK-BP, the Company increased its investment in research and development under the corporate innovation development program to RUB 23.2 bn. Rosneft spent RUB 1.7 bn on targeted innovation projects

and RUB 5.8 bn on pilot deployment projects. The number of new technology tests and pilot deployments and the respective expenditures also increased. In 2013, the Company spent RUB 14.5 bn on these purposes (compared to RUB 2.8 bn in 2012).

## Deployment and testing of new technologies

**23.2**  
BILLION RUBLES – THE AMOUNT OF INVESTMENTS IN RESEARCH AND DEVELOPMENT UNDER THE CORPORATE INNOVATION DEVELOPMENT PROGRAM IN 2013

Indicator	Value
Number of tested technologies	25
Number of technology deployments based on testing results	128
Additional oil production as a result of testing and introduction of new technologies within the framework of the New Technology System, thousand tonnes	1082
Economic benefits from the testing and introduction of new technologies within the framework of the New Technology System, RUB mln	4111.5
Number of technologies which underwent pilot testing	113
Additional oil production as a result of pilot testing of new technologies, thousand tonnes	121
Economic benefits from the pilot testing of new technologies, RUB mln	193.1
Number of patents (total)	380

Another important area of activities in 2013 was continuing the large-scale program for the upgrading of the Company's refineries and enhancement of associated manufacturing and management processes. In the reporting period, Rosneft spent RUB 124.9 bn on its refinery upgrading program (more details about the program are available in the Environment section). In 2013, the Company's priorities in the field of innovation included practical

application of R&D results and registering intellectual property rights. Serious efforts for the development and application of new technologies helped the Company substantially increase the number of patent and know-how applications. As a result of its innovation activities, in 2013 Rosneft prepared and filed 52 applications for patents and industrial design rights.

The Company implements innovation projects in all

major sectors of its business, including oil and gas production, refining, and petrochemical manufacturing.

**124.9**  
BILLION RUBLES – THE AMOUNT OF FINANCING OF THE REFINERY UPGRADING PROGRAM IN 2013

## Innovative technologies in oil and gas production

- The Company introduced a technology for development of low-permeability reservoirs at oil fields of RN-Yuganskneftegaz. Using the technology, 32 wells were drilled in 2013, which helped produce 167 thousand additional tonnes of oil. According to the Company's specialists, broad application of the technology could potentially lead to the development of 100 mln tonnes of hard-to-recover reserves and economic benefits exceeding RUB 5 bn.
- In 2013, Rosneft discovered new oil and gas condensate deposits at the Mogdinsky license area in Irkutsk Region with the yield of up to 425 thousand of scm/day of gas and condensate, and 90 tonnes/day of oil. This was made possible by the use of Rosneft's own geological model developed by its specialists.
- The Company completed the development of a drillable system for repairing extended leaks in a production string. It is expected that over 10 years the use of the technology will help resume production at over 400 currently unused wells, providing more than 47 thousand additional tonnes of oil per year and economic benefits exceeding RUB 240 mln per year.
- A gas preparation unit based on the 3S supersonic separation process with the performance of 160 mscm/year was developed. It is planned that such a unit will be installed by RN-Yuganskneftegaz to produce 11 thousand of scm/year of stable gas condensate from associated gas, which will result an annual revenue of up to RUB 100 mln.

180

TONNES OF NEW COMPRESSOR OIL WAS PRODUCED FOR RUSSIAN NAVY IN 2013

**Innovative technologies in refining and petrochemical manufacturing**

• Jointly with the Catalysis Institute of the Siberian Branch of RAS, a technology for pilot fluidized-bed production of the reforming catalyst was developed; specifications, design documentation, and cost estimates for a pilot catalyst production unit were prepared. Commercialization of the technology will provide for a 1–2% increase in

the reformat yield compared to known foreign analogues.

• An analogue of the K4-20 high-pressure compressor oil used by the Russian Navy was developed, and the respective manufacturing process was implemented. In 2013, 180 tonnes of the new compressor oil was produced with the revenues from its sales amounting to RUB 208 mln.

**Targeted innovation projects of the Innovation Development Program**

Project name	Time frame
Improvement of the development efficiency of tight sandstone/siltstone reservoirs (similar to those of the Achimov formation)	2011–2016
Development of technologies for the development of carbonaceous-siliceous-argillaceous masses of the Bazhenov formation	2011–2015
Development of technologies for the development of Turonian low-permeability gas deposits based on improved well completion techniques	2011–2015
Development of technologies for the development of heavy oil and natural bitumen deposits	2011–2015
A cluster of targeted innovation projects "Equipment and technologies for enhancing APG recovery rate"	2011–2015
A cluster of targeted innovation projects "Equipment and technologies for the development of offshore deposits"	2011–2015
Evaluation of oil saturation through casing string	since 2014
Development of techniques for the forecasting and development of Vendian-Cambrian and Riphean reservoirs in Eastern Siberia	2012–2015
Development of algorithms, techniques, and software modules for the monitoring of field development	2010–2014
Development of algorithms, techniques, and software modules for addressing unique objectives in hydrodynamic modelling of hydrocarbon reservoir systems	2010–2016
Development of catalysts for hydrotreatment of diesel fractions and pre-hydrotreatment of gasoline fractions	2010–2014
Development of a technique for non-catalytic hydrodesulfurization of oil residues	2011–2015
Development of a new technique for the production of alkylates on a heterogeneous catalyst for the manufacturing of valuable gasoline components with high energy content	2011–2014
Development of a continuous fluid-bed reforming process and a catalyst for the process	2010–2015

**Development of GTL technologies**

In the reporting period, the Company continued implementing a targeted innovation project for the development of GTL (gas to liquids) technologies. The objective of the project is the development of techniques for converting natural gas and associated petroleum gas into synthetic oil. Such technologies help efficiently monetize gaseous hydrocarbon resources through the manufacturing of fuel and petroleum product components with high added value. The project is implemented by the corporate Research and Development Center. The Center also has developed unique techniques of catalyst manufacturing for this process.

**2013**

In 2013, the following results were achieved within the framework of the project:

- development and acceptance of a technique for determining olefin content in the primary mix of synthetic liquid hydrocarbons;
- development of a laboratory technique for the hydroformylation of olefins found in synthetic hydrocarbon mix of the Fischer–Tropsch process, with one-stage production of alcohols on a cobalt catalysts;
- design of a process for the synthesis of hydrocarbons with increased content of olefins in the gasoline fraction on the basis of the Fischer–Tropsch method at the DemoGTL unit.

**2014–2015**

In 2014–2015, it is planned continue the development of GTL techniques, addressing the following objectives:

- development of a catalyst and a technique for methane aromatization;
- development of a technique for manufacturing synthetic oil suitable for transporting via trunk pipelines;
- development of a catalyst and a technique for the implementation of a compact variant of the Fischer–Tropsch process;
- development of a synthetic olefin hydroformylation process for the manufacturing of petroleum product components;
- development of a synthetic olefin oligomerization process for the manufacturing of petroleum product components.

**THE ARCTIC RESEARCH AND DESIGN CENTER**

**On June 11, 2013, Rosneft and ExxonMobil signed the final agreement on the Arctic Research and Design Center and an agreement on the joint use of techniques developed by the Center in various region of the world**

The Arctic Research and Design Center offers joint ventures by Rosneft and ExxonMobil a full range of research, development, and design services.

At present, the main areas of the Center's activities include: environmental safety and protection; ice, hydrometeorological, and engineering-geological studies; monitoring of ice conditions; development of design

criteria; and evaluation and preparation of field development concepts. In its work, the Center builds upon the results of previous R&D activities of the partner companies to develop environmentally safer technologies.

In 2014, the Center plans to implement large-scale research projects in the Arctic Seas in such fields as: regional environmental studies; development of new



techniques for the removal of oil spills in the Arctic; remote monitoring and studies of marine mammal populations; ensuring safety of operations; conceptual design of drilling platforms for exploratory drilling; ice and hydro-meteorological studies (with two exploratory expeditions planned for 2014); and the

study of sea bottom conditions. These projects will help study the conditions and the state of the environment on the continental shelf, thus supporting the designing of effective measures to minimize environmental impacts of the Company's subsequent operations.

### Innovation in renewable energy

In March 2013, the first stage of R&D activities under the targeted innovation project "Development of new generation solar panels based on metal-oxide mesostructures" was completed. The project provides for the development of scientific foundations of third-generation solar panels based on metal-oxide cells and the creation of innovative techniques for their manufacturing. The project is implemented by the Laboratory of Photovoltaic Converters at the Institute of Biochemical Physics of RAS.

As a result of R&D works, unique world-class scientific results were obtained; new highly efficient types of solar cells suitable for mass production were created; and new types of tandem solar panels were designed. Pilot panels have been installed on the roof of the Institute of Biochemical Physics, where their functioning is continuously monitored. Furthermore, innovative thin-film solar panels have been

installed at a filling station in Sochi, where they are also monitored.

The plans for further work include a study of available techniques and the selection of an optimal process for the profitable mass production of solar panels, the filing of five patents for results of R&D works, and the beginning of the designing of equipment for pilot manufacturing of metal-oxide cells. The overall cost of the project amounts to RUB 419.6 mln; of that amount, RUB 28.7 mln was spent in 2013.

### Arctic expeditions KARA-Winter-2013 and KARA-Summer-2013

As part of its research program, in 2013 the Arctic Research and Design Center carried out two unique expeditions KARA-Winter-2013 and KARA-Summer-2013 to explore ice and weather conditions with the ultimate goal of supporting the exploration and development of hydrocarbon resources in the southwestern sector of the Kara Sea. The survey vessel *Akademik Fyodorov* and a Mi-8T helicopter were used for the summer expedition, whereas the *Yamal* Arktika-class nuclear-powered icebreaker and a Ka-32C helicopter were used in the winter.

Research works of such type and scale were carried out in the little-studied area of the Arctic for the first time. The data collected during the expeditions are of significant interest to the Arctic research community, whereas the Company used them to develop design recommendations intended to help enhance safety and reliability of operations, develop more robust designs, and protect equipment from adverse environmental factors.

As part of its extensive research program in the Arctic, in 2014 Rosneft plans to fully restore the meteorological

observation network in the Kara Sea. The construction of a weather station on Uyedineniya Island will result in the completion of an effective meteorological network comprising 10 stations. The integrated observation network will not only help optimize exploration works and improve the effectiveness of field development operations, but also will provide a start for the entire series of major research programs in the region.

### Improvement of Sectoral Innovation Management Standards

#### The Company makes systematic efforts to develop its own standards with regard to innovation processes

The two key areas of this work include:

- development of standards for the effective management of innovation processes;
- development of guidelines for the use of innovative technologies (within the framework of targeted innovation projects).

An important result in the first area is the development and approval of a Classification of Innovation Activities, which defines rules and criteria of classifying certain activities, services and products of the Company as innovations or research and development. It is worth noting that currently Russia's oil and gas sector does not have a common classification of expenditures on innovation activities, and therefore Rosneft sets the rules for the entire sector.

Currently the Company develops a corporate Standard for the Management of the Effectiveness of Innovation Activities based on international best practices. It is planned to

expand the scope of the standard and to propose it as a sectoral standard for the effective management of innovation activities in fuel and energy companies in the Russian Federation.

An information system for the management of the effectiveness of innovation activities has been developed and is being deployed at the Company. This system, which has no analogues in Russia, can also be replicated across the entire sector.

In the second area of work, several guidelines for the use of innovative technologies were developed as a result of targeted innovation projects.

# ENVIRONMENT<sup>33</sup>

## DEVELOPMENT OF THE ENVIRONMENTAL MANAGEMENT SYSTEM

**Rosneft pays the most serious attention to the minimization of adverse environmental impacts of its business. Responsibility for the protection of the natural environment is one of the Company's key principles of doing business**



It is the Department of Environmental Safety and Technologies that is responsible for coordinating environmental activities of the Company and its subsidiaries. The main objective of the Department is to ensure that the Company's activities are aligned with the nature and scale of environmental risks associated with its operations. Significant areas of the Department's activities include, among others, oversight of environmental performance and corporate environmental reviews of existing and planned projects. In 2013, a target operating model for the Department was developed; at the moment of finalizing this Report, it was reviewed by the management. The model defines the place of the Department in the Company's overall management structure,

and describes various aspects of its financial, legal, and organizational responsibility.

A special area of the Department's activities is environmental support of the Company's Arctic program, including, among other objectives, development and application of innovation technologies intended to ensure environmental safety of unique shelf ecosystems. Procedures and approaches to environmental management within the framework of offshore projects are developed in coordination with all international partners based on international best practices. The Company has in place an Integrated, Health, Safety and Environmental Management System (IHSEMS), based on the key methodological approaches, principles, and

requirements of the standards ISO 14001:2004 and OHSAS 18001:2007. The key corporate document in this area is the Safety, Health and Environmental Policy. Both the Department of Environmental Safety and Technologies and the Industrial Safety and Health Department are subordinate to Vice President for Energy, Safety, Health, and Environment.

To reflect a substantial increase in the scale of the Company's operations resulting partially from the integration of new assets acquired in 2013, it was decided to substantially revise the structure of HSE services at the Company's subsidiaries and make heads of those services immediately report to chief executive officers of those subsidiaries. Before that, those services had been subordinate to a chief engineer or a technology director, so the change meant an increase in their status within the organizations. This change not only reflects a high priority put on environmental protection, industrial safety, and occupational health by the Company, but also helps avoid a conflict between operational performance and safety considerations.

In 2013, the Company's specialists carried out a detailed analysis of TNK-BP's practices, which provided a foundation for the subsequent revision of a number of corporate regulations applicable to the integrated HSE management system. In 2014, it is planned to continue developing the

system of corporate policies in line with the changes in the scale of Rosneft's operations. In particular, it is planned to revise the corporate HSE Policy, as well as update and expand internal regulations in the following key areas:

- inventory of total greenhouse gas emissions;
- conducting environmental monitoring on the continental shelf;
- remediation of contaminated and disturbed lands.

In 2014, Rosneft will also revise its Environmental Safety Strategy until 2020. As part of this work, by the moment of finalizing this Report, the Company developed environmental targets for the key impact areas, including air emissions, water use, land use, and waste management (see Annex 2).

A significant area of the Company's activities in the reporting period was the enhancement of the system of environmental data collection, analysis, and monitoring. After the completion of the project launched in 2013, the Company plans to have in place not only a system for automatic compilation of environmental reports, but also automated processes of collecting data of industrial environmental control and local monitoring, and tracking conformance with business planning targets.

In 2013, the Company substantially increased its capital environmental expenditures – they reached RUB 40490 mIn (with new assets taken

into account). The increase in investment was a result of the implementation of a number of construction projects of environmental fixed assets, as well as projects for the construction of wastewater treatment facilities, closed-circuit water recycling systems, a complex for drilling waste injection, and bank protection structures. Furthermore, in 2013, the Company completed the construction of a power plant to generate electricity for its own needs and infrastructure for temporary underground storage of associated petroleum gas. At the same time, at the request of Rosneft President, the Company makes serious efforts toward cost optimization, which led to a reduction of operating environmental expenditures (as adjusted for the acquisition of new assets) in 2013.

In the reporting period, an important contribution to the identification of priority actions was made by an analysis of the sufficiency of subsidiaries' environmental actions, envisioned by their business plans, for ensuring compliance with the legislation.

# 40490

MILLION RUBLES – THE AMOUNT OF CAPITAL ENVIRONMENTAL EXPENDITURES IN 2013

<sup>33</sup> The data for 2011–2012 were revised and restated due to the improvement of data collection methodology.

## Environmental expenditures, RUB mln

	2011	2012	2013
Capital environmental expenditures	24117	22709	40490
Operating environmental expenditures	10611	13794	16986
Payments to budgets at all levels associated with environmental protection and rational use of natural resources	1255	3932	3872
including payments for adverse environmental impacts	805	3518	3028
including compensation for environmental damage	278	348	664
Fines payable for environmental pollution	N/A	N/A	55 <sup>34</sup>
Cases of non-financial sanctions	0	0	0

<sup>34</sup> The amount of fines payable is provided for 2013. The amount of fines paid in 2011–2013 was RUB 41, 41.8, and 73 mln respectively.

## Capital environmental expenditures, RUB mln

	2011	2012	2013
Capital environmental expenditures, including	24117	22709	40490
on the targeted environmental program	1053	822	832
on the construction of environmental fixed assets	4192	4275	12953
on materials and equipment	686	1669	2342
within the framework of associated investments	12909	9949	19345
other	5277	5994	5017

## Conformance to the international management system standards

Rosneft continues to expand the scope of its certification to the international standards ISO 14001:2004 – Environmental Management System and OHSAS 18001:2007 – Occupational Health and Safety Management. In 2013, three Rosneft subsidiaries from the marketing and distribution sector of its business were certified to ISO 14001:2004. As a result, the total number of Rosneft

subsidiaries having ISO 14001 certification reached 45. Rosneft also pays serious attention to the development of the quality management system, particularly in the capital asset construction – a number of subsidiaries have been certified to the standard ISO 9001:2008 – Quality Management System.

## Development and Introduction of Environmental Technologies

**In 2013, the Company completed collection of initial data for a register of environmental technologies used at Rosneft facilities. At present the register, which is supposed to be continuously updated, covers 78 Rosneft subsidiaries**

The register helps quickly review the entire range of environmental technologies used at the Company and makes it easier to select the right solution for different needs and facilities.

The Company's research and development activity is an important source of updates to the register. For example, if the registry does not contain a technology required for current business objectives, this means that a gap is found,

and a targeted innovation project is initiated. In 2013, the Company's Science and Technology Council approved several environmental projects including, among others:

- development of a technology and equipment for the removal of oil and petroleum products from bottom deposits of water bodies;
- development of an integrated technology for the remediation of soils contaminated with oil or salts as a result of technogenic impacts;
- development of a technology for the disposal of oil sludge contaminated with salts containing natural radionuclides.

The portfolio of environmental targeted innovation projects to be initiated in 2014 includes the development of technologies for the cleanup of areas contaminated with solid alkanes and paraffins (longtime contamination) using biological agents, and technologies for biological

remediation of contaminated sea areas and shorelines in cold climate. An innovation project involving the development of infrastructure is the construction of a specialized site to study the impact of oil spills on biogeocenoses of North Siberia.

Among the projects with a high technology readiness level that were included in the Company's New Technology System, one can note a project for the injection of drilling waste, implemented at Samotlorneftegaz. Pilot testing of new solutions is carried out at Rosneft operations, and testing results are made available to all interested subsidiaries. For example, in 2013, specialists from Nizhnevartovsk State University carried out a comprehensive field testing of biological agents for the removal of oil contamination at Varyeganneftegaz.

## Development of the Environmental International Cooperation

**The reporting year was marked by the completion of the signing of the quadrilateral Declaration on the Environmental Protection and Biodiversity Conservation in the Exploration and Development of Oil and Gas Resources on the Russian Arctic Continental Shelf. The signatories of the document include Rosneft, ExxonMobil, Statoil, and Eni**

The Declaration reasserts existing commitments defined by international agreements, conventions, and declarations, and also builds on existing practices of the signatory companies in the field of environmental protection and biodiversity conservation, seeking to standardize them. This approach makes it easier to implement the Declaration and achieve its goals in the most efficient way possible.

The Declaration provides for the establishment of an

effective common mechanism helping the signatories assert their leadership in the field of responsible development of the Arctic continental shelf. All signatories will have to contribute resources for the creation of such mechanism.

The Declaration documents a range of intentions and commitments, whose implementation will ensure various benefits for the Company. These provisions include:

- reassertion of commitments with regard to sustainable development of the Arctic;
- coordination of actions for the conservation of biological diversity of the Arctic Region;
- regular monitoring of changes in the natural landscape and seas of the Arctic, and development of international cooperation with the Arctic Environmental Protection Strategy (AEPS) taken into account;
- expansion of cooperation with Russian government bodies, including the Ministry of Emergency Situations, the Ministry of

Transport, and the Federal Space Agency;

- creation of a Coordination Center with the involvement of external consultants and representatives of the Ministry of Emergency Situations, the Ministry of Transport, and the Federal Space Agency of the Russian Federation.

Environmental safety is one of the key areas of activities of the Arctic Research and Design Center created jointly with ExxonMobil. The Center's working program for 2014 includes regional environmental studies to explore,

in advance, the environmental aspects that may affect the implementation and the cost of offshore oil and gas projects on the Russian Arctic shelf. More information on the Center's activities is available in the respective section of this Report.

Ongoing interaction of Rosneft with its international partners also involves the identification of necessary environmental actions and appropriate technology solutions.

### Engagement with Non-Governmental Organizations on Environmental Matters

#### The Company closely engages with non-governmental organizations, coordinating with them activities aimed at ensuring environmental safety of its areas of operation

Being an environmentally responsible company, Rosneft seeks to establish direct open dialogue and cooperation with Russian and international environmental organizations.

In June 2013, Rosneft and WWF Russia signed a Protocol of Intent concerning the establishment of a constructive dialogue on environmental protection, including conservation of polar bears and other Arctic animals. The signatories agreed to develop a roadmap that would include their joint actions.

In March 2013, Rosneft joined the Non-Profit Partnership "Russian National Committee for the United

Nations Environment Programme" (UNEP/COM). Within the framework of the partnership, it is planned to cooperate with other organizations in the several areas:

- development, implementation, and information support of joint projects to promote environmental awareness and involve general public in the protection of Russia's nature;
- environmental expert reviews concerning potential transboundary pollution caused by projects in border regions;
- exploration of approaches toward the creation of a database of environmentally safe technologies for the oil and gas sector.

### Operations in Protected and Environmentally Vulnerable Areas

The Company assesses and manages its impacts on biodiversity in accordance with international documents (the Ramsar Convention, the Convention on Biological Diversity, international non-financial reporting standards and guidelines) and applicable Russian legislation (the Water Code, the Land Code, legislation on protected areas, and other environmental legislation and regulations).

Rosneft maintains a continuously updated register of protected areas, created with the requirements of the GRI Sustainability Reporting Guidelines (G4) taken into account. The register is intended to support the analysis and management of environmental safety and help prevent adverse impacts of the Company's operations on biodiversity of protected areas.

The Company expands and updates the register on a regular basis. As a result of the integration of new assets, the number of subsidiaries covered by the register increased from 50 to over 100. The information on the subsidiaries included in the register was collected in 2014.

In the reporting period, the Company had 277 operational sites located within, or adjacent to, protected area

or causing potentially significant impact on biodiversity in such areas. For 86 significant sites an assessment of risks for biodiversity was carried out; the presence of such risks was confirmed for two sites.

To measure and minimize its impacts on biodiversity, the Company's subsidiaries on a regular basis carry out local monitoring, which includes, among other activities, measuring air quality, analysing soils, and monitoring groundwater quality. Based on monitoring results, the Company systematically develops action plans to minimize the impacts on biodiversity. In 2013, such plans were developed and enacted at 35 sites.

In implementing offshore projects, Rosneft puts special emphasis on biodiversity conservation and prevention of adverse environmental impacts. Prior to the commencement of works, environmental impact assessment is carried out; necessary permits are obtained; a broad range of activities to study the background state of the environment is conducted. Rosneft subsidiaries develop and implement biodiversity conservation plans and programs. For example, in 2013, RN-Shelf-Far East carried out monitoring of marine mammal and fish populations, environmental self-monitoring, and fish ecology studies in license areas used for joint projects with international partners. Furthermore, given the

geography of the protected area, RN-Shelf-Far East prohibits its vessels from crossing the boundaries of protected areas, monitors vessel positions relative to those areas, and practices "soft start" (gradual start) of acoustic sources used for seismic surveys.

### Environmental Day at Rosneft

In 2013, Rosneft conducted the Environmental Day – a corporate event associated with the World Environment Day – which

brought together representatives of Rosneft headquarters, as well as managers and environmental specialists of 60 subsidiaries. The event was held at one of the key Rosneft subsidiaries – RN-Yuganskneftegaz, the

Company's leading entity not only in terms of hydrocarbon production, but also in terms of the scale of environmental activities.

### Monitoring of bird populations

To evaluate the state of bird life in Verkhnee Dvuobye, a wetland of international importance and an important bird area located in Khanty-Mansi Autonomous Area,

monitoring of bird populations was carried out in 2008–2013. The program of studies included ornithological surveys; annual monitoring at license areas located within protected areas or their buffer zones, carried out in accordance with approved

plans and schedules; and collecting samples for measuring background pollution.



Children of the Novokuibyshevsk Refinery employees also took part in an environmental project – the stocking of the Volga River with fish

### Restoration of the fish population

Seven thousand young sterlets were released from the experimental floating fish farm Kopylovo at Tolyatti. The project to replenish Volga fish stock was implemented in 2013 by the Novokuibyshevsk Refinery and Srednevolzhrybvod, a state enterprise for the protection and restoration of Volga's fish resources.

Being a major user of Volga water, the Novokuibyshevsk Refinery pays serious attention to restoration of the fish population. Since fish fry and spawn may enter the refinery's intakes with water, it is necessary to ensure the replenishment of fish resources on an annual basis. The refinery, which withdraws water from Samara Reservoir, continuously provides assistance for the restoration of aquatic biological resources.

### The «Living Nature» photography contest

Between September and December 2013, the Company conducted an awareness and educational photography contest titled "The Living Nature". Participants sent in their works reflecting the beauty of nature

in the Company's regions of operation, photos of animals in their natural environment, and photos showing careful attitude of Rosneft employees toward the environment.

A total of 240 photos from over 80 Rosneft subsidiaries were selected for the final

stage of the contest. The best works in three categories – Landscape Scenery, Animal Life, and Nature and Industry – were selected by online voting with 11 thousand votes cast.

## ENVIRONMENTAL PERFORMANCE OF THE COMPANY IN 2013

### Emissions to Air

In 2013, the Company substantially reduced its emissions (as adjusted for the acquisition of new assets), while expanding hydrocarbon production. This reduction was primarily a result of Rosneft's targeted Gas Program, which led to a

reduction of the amount of flared associated petroleum gas. The Company continues systematic work on the monitoring and reduction of pollutant emissions to air.

### Total air pollutant emissions by sector, thousand tonnes

	2011	2012	2013
Total air pollutant emissions, including:	<b>989</b>	<b>1359</b>	<b>1802</b>
oil and gas production	854	1231	1621
refining	113	105	151
gas processing	6	5	5
marketing	11	12	18
service subsidiaries	6	6	6

### Total air pollutant emissions by pollutant, thousand tonnes

	2011	2012	2013
Total air pollutant emissions, including:	<b>989</b>	<b>1359</b>	<b>1802</b>
particulate matter	50	76	94
sulphur dioxide	46	41	63
carbon monoxide	526	738	948
nitrogen oxide	34	37	53
hydrocarbons (excl. VOCs)	152	250	328
volatile organic compounds	180	214	313
benzo(a)pyrene	0.000012	0.000010	0.000014
other pollutants	2	4	3

### Specific pollutant emissions by type, tonnes per thousand tce

	2011	2012	2013
<b>Specific SO<sub>2</sub> emissions</b>			
oil and gas production	0.04	0.04	0.06
refining and petrochemical manufacturing	0.50	0.41	0.34
<b>Specific NO<sub>x</sub> emissions</b>			
oil and gas production	0.11	0.12	0.11
refining and petrochemical manufacturing	0.13	0.13	0.10
<b>Specific hydrocarbon emissions (incl. VOCs)</b>			
oil and gas production	1.24	1.82	1.51
refining and petrochemical manufacturing	0.81	0.76	0.79

### Greenhouse Gas Emissions

An important development in the reporting period was the signing of the Presidential Decree dated September 30, 2013 No. 752 "On the Reduction of Greenhouse Gas Emissions". In accordance with the decree, in March 2014, the Russian Government approved an action plan for the achieving of the established level

of greenhouse gas emissions. Pursuant to the Decree, the plan envisions the adoption of a standard national methodology for calculating greenhouse gas emissions in mid-2015. In order to ensure conformance to the national methodology and taking into account the integration of assets using a methodology different from the one currently applied by Rosneft, the Company has decided to publish data on its GHG emissions after the approval of a

standard national methodology. In 2014, the Company has created a dedicated working group, whose main objectives include the improvement of Rosneft's corporate system of greenhouse gas inventory and reporting, and engagement with executive authorities and non-governmental organizations with regard to GHG emissions accounting in the context of the implementation of the Decree No. 752.

### Associated Petroleum Gas Recovery

In 2013, Rosneft continued implementing its targeted Gas Program aimed at achieving a 95% APG recovery rate. The program provides for the construction of infrastructure for APG collection, preparation,

and transportation to external customers or its utilization for the Company's own needs.

A key development in the reporting year was the launch of a system for APG reinjection at the Vankor field. The system, which uses APG to maintain reservoir pressure, complements other currently available options for

using APG, including supply to Gazprom's pipeline system or combustion in furnaces or at a gas turbine power plant. Overall, the integration of new assets based in Yamalo-Nenets Autonomous Area provided more opportunities for synergies in the field of APG use, making it possible to share the infrastructure available in the Vankor province.

In 2013, the Company increased the APG recovery rate (adjusted for the acquisition of new assets) as a result of the implementation of the corporate Gas Program. In the reporting period, Rosneft subsidiaries commissioned over 30 facilities for the use of APG, which helped achieve a 69.8% recovery

rate across the Company. The most significant contribution to this increase was made by the reinjection system and gas transportation system at the Vankor field, as well as the gas transportation system at the Kharampur field.

>30

FACILITIES FOR THE USE OF APG WERE COMMISSIONED, WHICH HELPED ACHIEVE A

69.8%

APG RECOVERY RATE



RN-Yuganskneftegaz has commissioned a new gas preparation plant to process the gas produced at the Ugut-Kinyaminskaya group of fields

### APG recovery and use

	2011	2012	2013
Capital investment in APG recovery and use, RUB bn	24.0	24.8	28.7
APG production, bscm	15.4	17.0	32.8
APG use, bscm	8.2 <sup>35</sup>	9.1	22.9
APG recovery rate, %	53.4	53.5	69.8
APG (hydrocarbons) flared on a regular basis, bscm	7.2	7.9	9.9
APG flaring rate, %	46.6	46.5	30.2
Vented hydrocarbons, mscm	N/A	N/A	0.0

<sup>35</sup> The data for 2011 have been adjusted.

## Water Consumption and Wastewater Discharge

In 2013, the Company continued implementing projects to reduce specific water consumption and pollutant content in wastewater

Water consumption (as adjusted for the acquisition of new assets) increased in 2013. Traditionally, oil and gas production subsidiaries have accounted for the largest water consumption. Despite systematic measures for increasing the volume of recycled and reused water, this indicator slightly decreased in 2013 (as adjusted for the acquisition of new assets). This was primarily a result of the reduced consumption of reused water by refining and petrochemical subsidiaries due to repair projects and overall reduction of water consumption

by certain companies. In 2013, Rosneft continued its program for the modernization of wastewater treatment facilities, which helped slightly reduce the overall discharge of polluted and insufficiently treated wastewater (as adjusted for the acquisition of new assets). This amounts to an overall reduction in wastewater discharge.

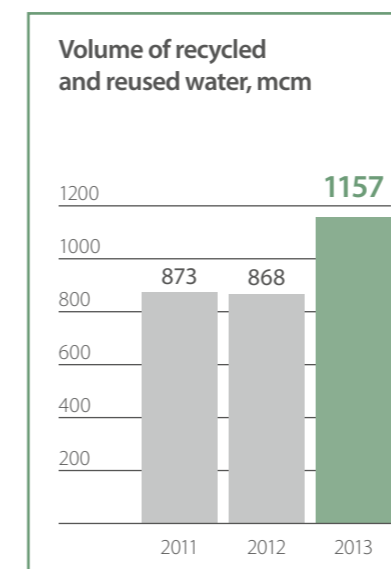
### Water consumption by sector, mcm

	2011	2012	2013
Total water consumption from all sources, including:	<b>758.31</b>	<b>808.23</b>	<b>1444.68</b>
oil and gas production	679.35	731.79	1339.55
refining	71.30	68.87	97.70
gas processing	0.64	0.60	0.60
marketing	1.99	1.83	2.52
service subsidiaries	5.03	5.12	4.31

### Total water withdrawal by source, mcm

	2011	2012	2013
Total water withdrawal from all sources, including	<b>932.0</b>	<b>983.0</b>	<b>1692.1</b>
ground water	37.7	53.0	85.4
surface water	183.0	167.1	204.5
supplied by other organizations	33.4	35.4	38.4
rainwater	4.9	5.2	8.9
waste water	55.5	53.1	112.2
bottom water	2.2	2.2	32.8
other sources	615.3	667.2	1209.8

## Produced water management



	2011	2012	2013
Total produced water, mcm	<b>614.7</b>	<b>666.5</b>	<b>1208.8</b>
Injection without treatment, mcm	19.0	19.2	26.1
Injection after treatment, mcm	533.8	580.8	1116.9
Disposal of produced water, mcm, including:	61.9	66.6	65.7
discharge to underground strata	59.4	64.1	63.4
discharge to water bodies	0.0	0.0	0.0
discharge to land	2.5	2.5	2.2
Total hydrocarbon content in used produced water, thousand tonnes	5.2	3.9	17.5

### Total wastewater disposal, thousand m<sup>3</sup>

	2011	2012	2013
Sent to other organizations for reuse	236	252	401
Disposal of utility wastewater	54809	53517	98757
Disposal of industrial wastewater, including:	106794	111304	138455
discharge to underground strata	60132	59759	90835
discharge to water bodies	46298	51309	47358
discharge to land	364	236	262
including:			
of standard quality and treated to standard quality	79510	88125	89621
polluted and insufficiently treated	27283	23179	48834

### Wastewater discharge to surface water bodies by sector, thousand m<sup>3</sup>

	2011	2012	2013
Wastewater discharge to surface water bodies, including:	60132	59759	90835
oil and gas production	15	5	33
refining	58606	58358	89462
gas processing	0	0	0
marketing and sales	760	629	674
service subsidiaries	752	768	666

### Modernization of water recycling units at Angarsk Petrochemical Company

In 2013, Angarsk Petrochemical Company (APC) implemented a project for the modernization of water recycling units in order to reduce water withdrawal from surface water bodies. As part of APC's environmental program, eight cooling towers

were upgraded or built in the recent years. As a result, annual water consumption decreased by 200 thousand m<sup>3</sup>.

### Waste Management and Remediation of Contaminated Lands

In 2013, the Company's subsidiaries continued their waste management activities. One important area of that work was a large-scale effort to develop more accurate municipal and industrial waste balances, which led to the adjustment of waste data for 2012–2013. This work was a necessary step toward the recognition of the Company's estimated environmental liabilities and a more accurate inventory of waste stored at the sites, which helped optimize actions for the disposal of that waste. In the reporting year, waste generation grew insignificantly; the amount of waste sent to external contractors increased (as adjusted for the acquisition of new assets). As a result of the waste inventory, significant amounts of oil sludge previously unaccounted for were identified, which led to an increase in the reported amount of stored waste at the end of the year.

Despite the Company's systematic efforts to expand waste processing, in the

reporting period the amount of processed waste decreased substantially, mainly as a result of an increase in the amount of waste disposed of at landfills and sent to external organizations. In the reporting period, the Company was compiling a register of all contaminated lands, including data for newly acquired assets. Based on the register, a plan of remediation actions will be prepared. In the next year, it is planned to standardize approaches toward land remediation across all Rosneft subsidiaries.

In 2013, the area of land newly contaminated with oil increased, mainly as a result of significant oil spills caused by pipeline ruptures at RN-Yuganskneftegaz. At the same time, a smaller area of oil-contaminated land was remediated as a result of the Company's adaptation to new procurement rules and procedures established by the Russian legislation.

### Waste management, thousand tonnes

	2011	2012	2013
Waste stored at the beginning of the year	2527	1825	7286
including oil sludge	360	363	1418
including drill cuttings	2032	1330	4222
Adjustment of the amount of waste in the current period	24	2531	4707
including oil sludge	23	429	4533
including drill cuttings	0	2100	153
Waste generation over the year	1663	1692	3054
including oil sludge	159	139	458
including drill cuttings	495	612	1483
Received (from external organizations and as a result of a reorganization of another legal entity)	77	394	920
including oil sludge	50	363	208
including drill cuttings	14	29	710
Waste recovery over the year	194	190	337
including oil sludge	13	32	142
including drill cuttings	0	0	78
Decontaminated and processed	563	448	154
including oil sludge	80	213	129
including drill cuttings	11	14	18
Disposed of at landfills	73	75	159
including oil sludge	2	1	3
including drill cuttings	36	42	90
Sent to external organizations for disposal	2379	2929	4651
including oil sludge	71	136	470
including drill cuttings	1988	2440	3415
Waste stored at the end of the year	1825	3377	10805
including oil sludge	363	641	5787
including drill cuttings	1330	2629	3337

### Total amount of spilled oil and petroleum products, thousand tonnes

	2011	2012	2013
Total amount of spilled oil and petroleum products	4	3	4



## Area of contaminated land and land remediation, ha

	2011	2012	2013
Area of contaminated land at the beginning of the year	2858	2622	4711
Area of contaminated land identified during pre-project surveys	24	253	41
Newly contaminated land	398	343	439
Area of contaminated land at the end of the year	2622	2531	4293
Land remediation over the year	2938	8911	11205
including contaminated land	619	662	795
Natural recovery of disturbed and contaminated land	38	689	105

## Number of sludge pits, units

	2011	2012	2013
At the beginning of the year	928	791	1059
At the end of the year	791	620	736
Built over the year	77	87	218
Remediated over the year	214	258	541

## Manufacturing of Environmentally Safer Motor Fuel

Rosneft continues a major investment program for the upgrade of its refineries with a view to a complete transition to the manufacturing of motor fuel conforming to the criteria of the environmental class 5 (so called Euro-5)

>960

BILLION RUBLES – THE OVERALL COST OF THE PROGRAM FOR THE COMPANY'S UPGRADE OF REFINERIES IN ORDER TO TRANSIT TO THE MANUFACTURING OF PRODUCTS OF ENVIRONMENTAL CLASS EURO-5

According to the Company management, the overall cost of the program is estimated at over RUB 960 bn. Most units are expected to go online before 2017. The objectives of the program include a significant increase in the refining depth, manufacturing of high-quality motor fuels conforming to the Euro-5 standard, and enhancement of environmental and industrial safety of the Company's refineries.

As a result of the integration of new assets, more operations were added to Rosneft's seven major refineries based in Russia. Upgrade projects have already been launched at two newly acquired refineries (Ryazan Refining Company – the largest and the most

technologically complex refinery owned by Rosneft, and the Saratov Refinery). The Saratov Refinery has already started manufacturing high-quality Euro-5 gasoline. Furthermore, a number of operation, including Achinsk, Komsomolsk, Kuibyshev, Novokuibyshevsk, and Syzran refineries, as well as Ryazan and Angarsk petrochemical companies, started producing Euro-4 and Euro-5 motor gasolines ahead of the schedule.

## Manufacturing of motor gasolines, thousand tonnes<sup>36</sup>

	2011	2012	2013	% of total output
Class 3	4241.4	4389.8	3914.5	29
Class 4	—	7.5	1973.2	15
Class 5	—	2326.5	7410.3	55
Total above Class 2	4241.4	6723.9	13298.0	98

## Manufacturing of diesel fuels, thousand tonnes<sup>37</sup>

	2011	2012	2013	% of total output
Class 3	4376.3	6224.5	8094.7	29
Class 4	120.2	181.6	3617.2	13
Class 5	—	4520.2	11337.2	41
Total above Class 2	4496.5	10926.2	23049.1	83

## Energy Consumption and Energy Efficiency<sup>38</sup>

In the reporting period, the overall consumption of electricity by Rosneft and its subsidiaries amounted to 29.6 thousand GWh, of heat – 6.4 mln Gcal. In 2013, direct energy consumption amounted to  $2.58 \cdot 10^{17}$  J, with 48% of that amount consumed by the oil and gas production, 40% – by the refining, and 7% – by the petrochemical manufacturing and gas processing. Indirect energy consumption (in terms of primary energy) was  $4.1 \cdot 10^{17}$  J.

In 2013, in order to enhance coordination in the field of energy efficiency and conservation, the Company created a dedicated corporate department.

One of the key objectives of the new department is the

analysis of best practices of the Company's subsidiaries and identification of possible synergies in the field of energy efficiency. In 2013, specialists of the department conducted a number of site visits in order to analyze energy efficiency of the Company's operations. Furthermore, Rosneft introduced a new system of energy efficiency indicators providing for better evaluation of energy performance.

Another important aspect of energy efficiency activities was the development of a roadmap for the introduction of the energy management system in 2014–2016. The roadmap covers all key sectors of the Company's business, including oil and

<sup>36</sup> The data for 2012 have been adjusted. Information for 2012–2013 covers all consolidated assets of Rosneft, including, among other refineries, mini-refineries and Ruhr Oel GmbH (50%).

<sup>37</sup> The data for 2012 have been adjusted. Information for 2012–2013 covers all consolidated assets of Rosneft, including, among other refineries, mini-refineries and Ruhr Oel GmbH (50%).

<sup>38</sup> As a result of the improvement of the methodology for the collection and consolidation of primary energy consumption data, the data for the key energy consumption indicators are provided only for 2013.

gas production, refining, petrochemical manufacturing, marketing, as well as drilling and industrial services. One should note that the oil and gas production sector accounts for the largest fraction of the Company's electricity consumption, whereas the largest heat consumer within Rosneft is the refining sector.

As part of the roadmap implementation, an Energy Efficiency Commission headed by Vice President for Energy, Safety, Health, and Environment has been created at Rosneft.

The Commission's objectives include:

- development of common principles and methodologies in the field of energy management and energy efficiency, and ensuring their implementation;
- optimization of process flows, introduction of new efficient technologies, procurement of energy efficient equipment;
- active dialogue with stakeholders – government authorities, suppliers, and contractors – and implementation of joint initiatives;
- management accounting in the field of energy efficiency;
- supporting development and training of the Company's personnel with regard to energy management and energy efficiency.

Another significant result of the roadmap implementation in the reporting year

was the development of an Energy Efficiency and Conservation Policy based on the key methodological approaches, principles, and requirements of the international standard ISO 50001:2011 – Energy management systems – Requirements with guidance for use.

According to the Policy, which was approved by the Board of Directors in 2014, the Company's key objectives in the field of energy efficiency and energy conservation include:

- continual improvement of energy efficiency, rational use of energy resources and their saving, and improvement of the energy conservation management process in all types of production activities;
- cost reduction through rational use of energy resources and introduction of advanced innovative energy-efficient technologies;
- ensuring the functioning and continual improvement of the Energy Management System meeting the requirements of ISO 50001:2011.

The Energy Efficiency and Conservation Policy provides for the continuation of the Company's Energy Conservation Program. In the reporting year, a four-year program for 2009–2013 was completed, and a new program for 2014–2018 was prepared. The development of the new program coincided with the integration of new assets, which helped

incorporate their best practices in the field of energy efficiency into the document.

As a result of the actions envisioned by the program, total electricity and heat savings in the reporting period amounted to some  $4.9 \cdot 10^{15}$  J.

According to the roadmap, the Company's plans in the field of energy efficiency for the next few years include the following actions, among others:

- implementation of the requirements of the standard ISO 50001:2011 at all key sectors of the Company's business;
- creation and maintenance of a section on energy efficiency on the corporate portal;
- creation of a corporate directory of energy efficient equipment and technologies, and procedures for its use;
- organization of a motivation and incentive system to promote energy efficiency at Rosneft subsidiaries;
- implementation across Rosneft subsidiaries of a systematic process for taking advantage of government incentives for organizations purchasing energy efficient equipment.

## INDUSTRIAL SAFETY AND OCCUPATIONAL HEALTH

### DEVELOPMENT OF THE INDUSTRIAL SAFETY AND OHS MANAGEMENT SYSTEM

**Rosneft recognizes the nature and scale of risks associated with its operations, and its responsibility for ensuring safe working conditions and protecting health of its employees and those residing close to its facilities. The Company pays priority attention to the prevention of accidents and other incidents that can affect the health of its employees. It continually maintains a high level of preparedness to prevent or minimize possible adverse consequences**

Ensuring industrial and fire safety and safe working conditions is among the Company's strategic objectives and in line with its overall development concept until 2030. The Company is guided by the international best practices in the field of health and safety and seeks to use the most advanced approaches towards the management of these issues.

The Company has in place an Integrated Health, Safety, and Environmental Management System (IHSEMS); the key principles and priorities in this area are defined by Rosneft's Safety, Health, and Environmental Policy. More details on the IHSEMS are available above in section Development of the Environmental Management System.

In 2013, in order to consolidate health and safety standards after the integration of the new assets and accommodate changes in the scale of the Company's operations and in the legislation, a plan for the revision of local health and safety regulations in 2014–2015 was developed. The plan provides for the development of new corporate policies and standards and

the updating of the existing ones. In 2013, Rosneft started drafting an Occupational Health and Industrial Safety Management Concept, which was supposed to become the Company's fundamental document in this area.

In order to improve the Company's system for the collection and analysis of health and safety data, efforts to automate the respective processes across Rosneft subsidiaries were made in the reporting year. The Company plans to carry out a pilot testing of the automated system at the end of 2014. Furthermore, the Company implements a project for more detailed and systematic business planning of OHS spending of its subsidiaries. The project aims to consolidate all OHS activities in business plans of the Company and its subsidiaries, and make it possible to collect timely data on the key aspects of OHS.

Another area of the improvement of the Company's safety system was the creation at Rosneft of a new unit – the Situation Center for Crisis Management – intended to enhance the effectiveness

of emergency response. The center was created as part of the company-wide accident and emergency response system. It helps increase the effectiveness of the Company's cooperation with executive authorities within the framework of the Unified State System of Emergency Prevention and Response.

An important outcome of the center's activities in 2013 was the development of the Company's Emergency Prevention and Response Policy whose main aims included identifying the most significant risks and key performance indicators with regard to emergency management and defining roles and responsibilities in the area. Furthermore, a number of standards and guidelines regulating emergency management activities of Rosneft subsidiaries were developed.

The center also developed much more stringent criteria for emergencies compared to the respective federal legislation, with reflects the Company's commitment to the international best practices in the field of safety.

Rosneft pays serious attention to the health and safety performance of its contractors. The Company has a special corporate standard regulating its relations with contractors in this area. Since 2013, the Company has actively collected information on contractors and incidents in order to update this standard in 2014.

Rosneft's Science and Technology Council develops occupational, industrial, and environmental safety standards for off-shore projects in collaboration with the Federal

Service for Environmental, Technological, and Nuclear Supervision (Rostekhnadzor) and the Russian Union of Industrialists and Entrepreneurs.

### Golden Rules of Workplace Safety

In 2013, the Company developed Golden Rules of Workplace Safety – a concise and accessible document summarizing both general safety rules and requirements for specific types of hazardous work, such as working at height, gas hazardous works,

earthworks, working near moving (rotating) parts etc. The rules also define special responsibility of managers for health and safety and promote employees' personal responsibility for their own safety and the safety of their coworkers.



## THE COMPANY'S INDUSTRIAL SAFETY AND OHS PERFORMANCE IN 2013

### Workplace Safety

After the beginning of the integration of the TNK-BP assets, a certain increase in the number of workplace injuries was observed. The main cause of injuries was insufficient oversight by the Company's contractors of works at hazardous industrial facilities. To eliminate the identified causes of injuries, a Period of Increased Attention to Safety was announced, and a number of actions to prevent injuries were taken. In 2013, the occupational injury and fatality rates (as adjusted for the acquisition of new assets) slightly decreased; they amounted to 0.214 injuries per one mln hours worked and 2.14 fatalities per 100 mln hours worked.

To prevent occupational injuries in the future, the Company takes systematic actions to enhance its OHS performance. Employee orientations and other forms of OHS training are carried out on a regular basis. Employees are provided with personal and collective protection equipment in full compliance with the respective requirements. In the reporting period, 31.9 thousand OHS inspections at Rosneft subsidiaries and 13.9 thousand

inspections at contractor companies were conducted. In 2013, the Company spent RUB 4.96 bn on OHS and industrial safety actions. Additionally, over RUB 5 bn was spent on corrective actions according to orders of regulatory authorities, actions to improve working conditions, and industrial safety assessments.

Each year, the Company's subsidiaries receive awards of federal and regional health and safety competitions. In 2013, Rosneft received an award of the Health and Safety 2013, a national contest for the best innovative workplace safety solution. The Company also won a regional competition for the best OHS management in Krasnoyarsk Territory. A number of Rosneft subsidiaries received awards in the category Occupational Health and Safety in Industrial



# 4.96

BILLION RUBLES – THE AMOUNT OF INVESTMENTS IN OHS AND INDUSTRIAL SAFETY ACTIONS IN 2013

Companies of regional stages of the national competition Russian Organization of High Social Effectiveness. These included RN – Severnaya Neft, Udmurtneft, RN-Arkhangelsknefteprodukt, and Kuibyshev Refinery.

In 2013, Rosneft continued the certification of workplaces in terms of working conditions; at the year's end, 93% of workplaces across the Company had been certified. According to amendments to the labor legislation, since January 1, 2014, workplace

certification has been replaced by special assessment of workplace conditions. To accommodate the new requirements, the Company takes action to develop new and update existing corporate policies and regulations, including:

- Procedure of Special Assessment of Workplace Conditions;
- Methodology of Special Assessment of Workplace Conditions;
- Oversight and Management of Workplace Conditions.

#### Occupational injuries at the Company and its contractors

Indicator	2011	2012	2013
Total number of occupational injuries	56	46	90
including fatalities	8	6	9
Total number of occupational injuries at contractor companies	—	—	70
including fatalities	—	—	15
Occupational fatality rate (cases per 100 mln hours worked)	2.68	2.02	2.14
the same, per one mln hours worked	0.027	0.020	0.021
Occupational injury rate (injuries per one mln hours worked)	0.187	0.155	0.214
the same, per 200 thousand hours worked	0.037	0.031	0.043
Road accident injury rate (injuries per one mln km of mileage) <sup>39</sup>	—	—	0.075
excl. injuries due to the fault of third-party persons	—	—	0.020
Lost day rate (days lost due to work-related injuries and occupational diseases per one mln hours worked)	9.550	10.900	10.874
the same, per 200 thousand hours worked	1.910	2.180	2.175
Occupational disease rate (total number of diagnosed occupational diseases per one mln hours worked)	1.25	0.15	0.045
the same, per 200 thousand hours worked	0.25	0.03	0.009

<sup>39</sup> The mileage data include only vehicles of RN-Service.

**31.9**

THOUSAND OHS INSPECTIONS AT ROSNEFT SUBSIDIARIES WERE CONDUCTED IN 2013

**13.9**

THOUSAND INSPECTIONS AT CONTRACTOR COMPANIES

#### Annual OHS and industrial safety competition of Rosneft subsidiaries

In 2013, 44 industrial subsidiaries submitted their materials for the competition. They included 12 oil production enterprises, 11 refining enterprises and 21 marketing and distribution enterprises.

The winners of the competition were:

among oil production enterprises:  
**RN-Severnaya Neft**

among refining enterprises:  
**JSC "Kuibyshev Refinery"**

among marketing and distribution enterprises:  
**RN-Arkhangelsknefteprodukt**

#### Industrial and Fire Safety

##### In 2013, Rosneft undertook a comprehensive analysis of its approach to recording fire data, also taking into account the TNK-BP assets

It was decided to modify the existing system and start recording all cases of incipient fire not leading to a fire as such in order to focus efforts on timely prevention actions prior to the development of an actual fire.

Based on the analysis of fire statistics, the Company conducts quarterly meetings for a detailed review of fire causes in order to prevent similar incidents in the future.

In the reporting period, the Company introduced systematic oversight of actions in response to orders of fire inspections by the Ministry of Emergency Situations. The Company's subsidiaries implemented 99% of all corrective measures that did not require additional financing. In 2013, the Company also introduced, at the level of Rosneft headquarters, systematic oversight of actions in response to orders of Rostekhnadzor.

Furthermore, in 2013, the Company developed a regulation on fire safety training of Rosneft employees in

order to establish common requirements in this area applicable across the Company. According to the regulation, employees of Rosneft Oil Company and its subsidiaries are admitted to work only after a fire safety training.

An important development in the reporting year was the approval of a targeted corporate program for the modernization and equipping of fire brigades of Rosneft subsidiaries. The program provided for the purchase of fire vehicles, equipment, and foaming agents. In 2013, all the necessary equipment, materials, and most fire vehicles (57 of 63) were purchased.

**9.3**

BILLION RUBLES – EXPENSES ON FIRE AND RADIATION SAFETY

**0.8**

BILLION RUBLES – EXPENSES ON BLOWOUT SAFETY

Contracts for the supply of the remaining vehicles were signed.

In 2013, the Company spent RUB 9.3 bn on fire and radiation safety, and RUB 0.8 bn on blowout safely.

The Company takes systematic action to prevent accidents at its industrial facilities. In the reporting period there were three accidents associated with equipment depressurization (at the Komsomolsk Refinery, the Otradnoye Gas Processing Plant, and the Syzran Refinery) and two well

blowouts (Samotlorneftegaz and RN-Krasnodarneftegaz) categorized as accidents.

The total economic damage from accidents and blowouts amounted to RUB 823.2 mln. Each incident was investigated; corrective and preventive measures were identified and implemented. Well-coordinated accident response helped avoid any injuries associated with accidents in 2013.

In the reporting year, Rosneft subsidiaries carried out 273 exercises to practice spill

response, firefighting, and accident containment. A total of 13.7 thousand employees of Rosneft subsidiaries and their contactors took part in the exercises.

#### Fire tactical exercise at the Company's explosion and fire hazardous facilities

In July 2013, a corporate conference to discuss safety, health, and environmental performance of Rosneft subsidiaries in the first half of 2013 was held at RN-Arkhangelsknefteprodukt. The participants included managers and specialists of the corporate headquarters,

as well as chief engineers, technology directors, managers and specialists of the safety, health, and environment departments of the Company's production, refining, and marketing subsidiaries. The conference was also attended by representatives of the regional department of the Ministry of Emergency Situations, the Ministry's Fire Academy, and Arkhangelsk regional government. The event included an exhibition of modern firefighting equipment and vehicles, as

well as rescue and protection equipment.

During the conference, an exercise was held to practice response to a hypothetical spill of petroleum products into the Northern Dvina River and a fire on a tanker moored at the Arkhangelsk terminal of RN-Arkhangelsknefteprodukt. After the exercise, actions taken by the site staff and fire brigades were approved.

#### Accidents at Rosneft's operations

Indicator	2011	2012	2013
Number of accidents <sup>40</sup>	3	1	3
incl. with environmental consequences	0	0	0
Number of fires	5	5	22
Number of gas, water, and oil inflows and blowouts	6	4	10

<sup>40</sup> The number of accidents does not include accidents associated with gas, water, and oil inflows and blowouts.

#### Emergency Preparedness

Duty shifts of the Company's Situation Center for Crisis Management monitor natural and technogenic threats to operations of Rosneft subsidiaries and evaluate the respective risks on a 24/7 basis. In case of an accident or an emergency they notify the appropriate response services.

Like in the previous reporting period, no technogenic emergency took place at the Company's facilities in 2013. The Company's total expenditures on the prevention of and response to technogenic and natural emergencies amounted to RUB 2970 mln.

#### Ensuring continuous operation of Rosneft subsidiaries during an autumn flood in the Far East

In 2013, the Russian Far East was hit hard by a major flood. The extreme weather event caused enormous damage to the regional agriculture, disrupted supply of basic necessities to local residents, and deprived many of their houses and other property. To prevent subsidiary facilities from being flooded, the Company set up a crisis team, which was active in August–October 2013. The joint efforts of the Rosneft

crisis team and the Far Eastern subsidiaries prevented suspension of operations of such major enterprises as the Komsomolsk Refinery, RN-Sakhalinmorneftegaz, and RN-Vostoknefteprodukt.

The actions to ensure continuous operation of Rosneft subsidiaries involved 237 persons and 50 pieces of machinery; materials and equipment worth RUB 37 mln were acquired, and 2 km of dams were built.

As a result of the timely and effective actions, Rosneft subsidiaries operated in a routine mode during the flood.



Thanks to the taken measures the operations of Rosneft subsidiaries during flood were in routine mode. On the photo: Khabarovsk tank farm of the RN-Vostoknefteprodukt

# 2970

MILLION RUBLES – THE COMPANY'S TOTAL EXPENDITURES ON THE PREVENTION OF AND RESPONSE TO TECHNOGENIC AND NATURAL EMERGENCIES

### Comprehensive accident response exercise at Orenburgneft

In 2013, a comprehensive exercise was conducted at sites of Orenburgneft, a production subsidiary of Rosneft, to practice accident response actions of corporate

emergency response teams. Representatives of fire services of the region also took part in the exercise.

According to the exercise script, oil pipeline depressurization at a river crossing resulted in an oil spill on the river surface. A fire broke out at an administration and

amenity building, and an oil spill occurred at an oil preparation plant.

As a result of professional and well-coordinated actions of all specialists all accidents were successfully eliminated.

### Pipeline Reliability

**As a result of the integration of the TNK-BP assets, the length of the Company's operational field pipelines at the end of 2013 was 60872 km. The total length of operational pipelines (as adjusted for the acquisition of new assets) increased compared to the previous year**

**60872**

KM - LENGTH OF THE COMPANY'S OPERATIONAL FIELD PIPELINES AT THE END OF 2013

Since 2008, the Company has implemented a major Pipeline Reliability Improvement Program, which is expected to help reduce pipeline failure rate more than threefold by the end of 2015 compared to 2007. The program involves phased replacement of pipelines older than 10 years. In 2013, the Company spent over RUB 14 bn on the core actions under the program.

To keep track of the condition of its pipelines, in the reporting period the Company adapted a system for the assessment of pipeline failure risks, which was previously used by TNK-BP. A pilot project for the assessment of pipeline rupture risks was implemented at Samaraneftegaz.

To locate pipeline defects, the Company uses such innovative techniques as MFL (magnetic flux leakage) and drone surveillance. Pilot tests have demonstrated the effectiveness of drones for the monitoring of pipeline condition.

An important aspect of asset integration in the context of pipeline reliability was the introduction of a common approach toward keeping track of pipeline ruptures. To achieve this objective, in 2013 the Company was introduced the software systems Rupture and OIS Pipe at its subsidiaries. At present, such systems has been installed at most Rosneft subsidiaries, and plans for the introduction of OIS Pipe at all subsidiaries operating pipelines have been approved.

It is important to note that despite an increase in the total pipeline length due to the integration of the TNK-BP assets, the Company was able to reduce the number of ruptures. At the end of the reporting year, the rupture

rate was 50.4 cases per one million tonnes of oil produced – substantially lower than the 2012 rate (as adjusted for the acquisition of new assets). This also led to a significant reduction in the amount of spilled oil.

### Pipeline ruptures and associated oil spills

Indicator	2011	2012	2013
Total number of pipeline ruptures (oil, gas, and water pipelines)	11069	10279	10425
Rate of pipeline ruptures per one mmt of oil production	90.4	84.3	50.4
Number of oil pipeline ruptures involving spills	7134	6793	6782
Spilled oil and petroleum products due to pipeline ruptures, tonnes	1066	1152	1015
Spilled oil and petroleum products due to pipeline ruptures per one mmt of oil production	8.7	9.4	4.9
Pipeline rupture rate, per km	0.28	0.26	0.17

### Rosneft's pipeline system and pipeline protection measures, km

Indicator	2011	2012	2013
Total length of field pipelines	54074	55175	83245
Total length of operational field pipelines at the end of the period	38907	39409	60782
Field pipeline modernization and repairs	872	681	1120
Corrosion inhibition of field pipelines	9121	9404	21261 <sup>41</sup>
Pig cleaning of field pipelines	5959	6727	10141
Inspection and safety assessment of field pipelines	7382	8864	15923

<sup>41</sup> The sharp increase in the indicator value reflects TNK-BP's approach – the company widely practiced corrosion inhibition at its pipelines to ensure their integrity.

# PERSONNEL

## DEVELOPMENT OF THE HR MANAGEMENT SYSTEM

In 2013, Rosneft confirmed its status of one of the largest employers in the Russian Federation. At the end of 2013, the total headcount of the Company and its subsidiaries was 221.9 thousand persons<sup>42,43</sup>, which corresponded to the size of Rosneft and its new assets prior to the integration

In the reporting year, the key HR management priorities included integration of the staff of newly acquired assets, as well as analysis and adaptation of TNK-BP's practices. The Company retained personnel support and development programs that had been implemented over the recent years.

An important outcome of the year 2013 was the drafting of a Rosneft HR Strategy. The document defines the Company's logic of HR management, as well as priorities and initiatives in the area.

According to the draft HR strategy, HR management priorities for 2014–2020 include:

- management of labor efficiency achieved, among other means, through the enhancement of the management system and the motivation system;

- management of personnel' knowledge and skills (competencies);
- management of the headcount and skill supply;
- management of the effectiveness of the corporate HR services;
- improvement of the efficiency of operations and support of the Company's entering new regions through maintaining optimal employment conditions;
- management of social stability (social benefits);
- the development of the corporate culture and internal communications management;
- management of stakeholder engagement within the framework of social partnership.

## Staff Structure

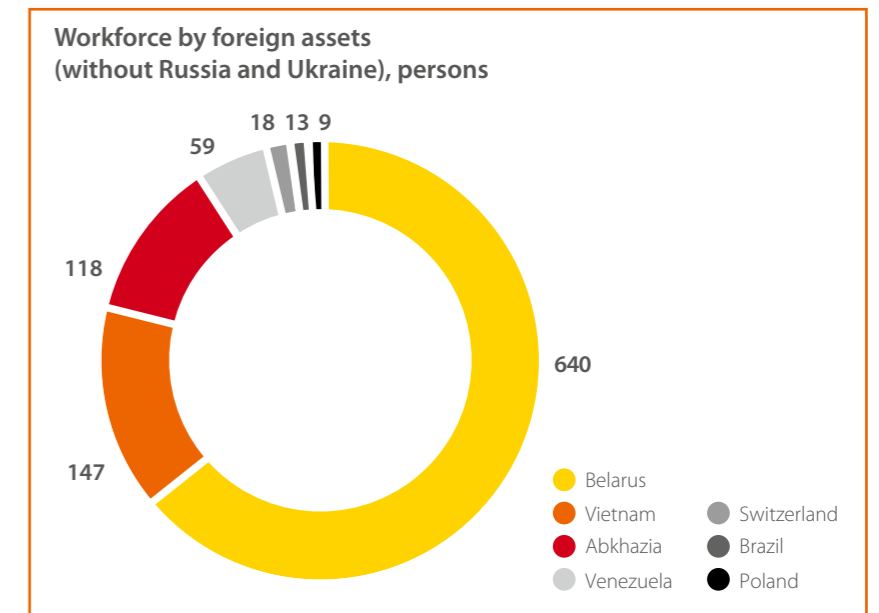
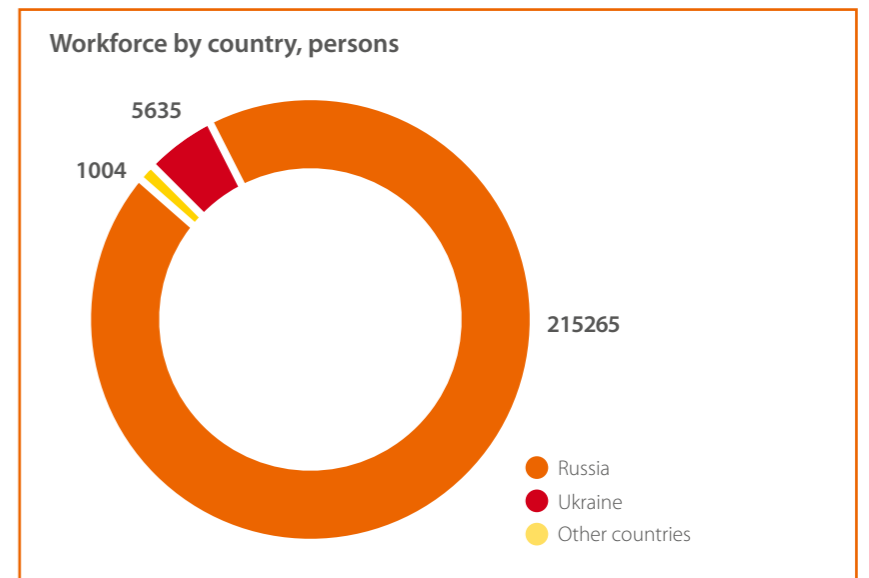
The distribution of personnel by country (including the newly integrated assets) did not undergo significant changes. In addition to Russia, where 97% of the Company's staff is employed, a significant fraction – 2.5% – works in Ukraine.

Against the backdrop of expanding international

operations and active development of projects, in 2013 the percentage of managers and specialists reached 42.2% of the average headcount. At the end of 2013, the percentage of women was 36%. More detailed data and charts on the staff composition are provided above, in section Key Sustainability Indicators.

<sup>42</sup> The quantitative data in the field of personnel management are provided for the centralized business-planning boundary, unless stated otherwise.

<sup>43</sup> As of December 31, 2013, the total headcount of all subsidiaries within the IFRS boundary was 228.0 thousand persons. The headcount with Udmurtneft and its subsidiaries included was 229.1 (+7.2) thousand persons.



## Integration of Employees of the Newly Acquired Assets

As of December 31, 2013, the Company's total headcount was 221.9 thousand persons, which corresponded to the sum of headcounts of Rosneft and TNK-BP at the end of 2012. One of the key objectives with regard to the integration of personnel of the new assets was managing inevitable changes in the organizational structure and business processes in such

a way as to avoid a decrease in labor performance and meet all commitments to business partners, customers, and employees. Due to well-coordinated work of HR services of all Rosneft subsidiaries over 2013, this objective was successfully achieved.

To keep the staff properly informed about the status of

integration processes, a unified starting page on the corporate websites of Rosneft and TNK-BP was launched; the Company published The Integration Newsletter, a weekly corporate publication that promptly answered questions asked by employees of both companies. These instruments helped complete the staff integration in the optimal manner and in the shortest time possible.

In the course of the integration process, HR specialists of the Company worked to ensure the adoption of Rosneft's corporate culture by new employees; they analyzed practices of the new assets and looked for ways to adapt them to the Company's requirements.

Heads of HR, social development, and corporate culture departments, representatives of business units and labor unions met staff of the newly integrated operations on a regular basis, addressing their concerns. The meetings with labor collectives were an important factor that helped avoid social conflicts and conflicts regarding remuneration, social benefits, and compensations.

There were no layoffs in the reporting period. Most employees of TNK-BP's headquarters (senior and middle managers, specialists) joined Rosneft's consolidated headquarters. At the level of subsidiaries, there were no significant changes affecting staff structure and size.

### Meetings with labor collectives of newly integrated subsidiaries

Meetings in the form of a dialogue with managers, union leaders, and representatives of labor collectives of newly acquired subsidiaries were held in 18 regions. In September–October 2013, the Company's specialists visited 32 enterprises, which collectively employed 39 thousand persons. Rosneft headquarters was represented by managers and specialists of business units, the HR Department, and the Social Development and Corporate Culture Department. Representatives

of union organizations at the Company level also took part in the meetings.

At the meetings, representatives of the new subsidiaries were informed about the Company's development prospects, its operating plans, as well as a broad range of HR management approaches, including those towards employee remuneration and motivation, social partnership and social programs, personnel development and training, and the formation of a candidate

pool. Based on the meeting results, the Company prepared awareness materials to distribute among personnel of the new subsidiaries at the shop-floor level.

In addition to meetings with labor collectives, joint HR audits were carried at the new subsidiaries; representatives of their HR services received orientation on Rosneft's HR policies.

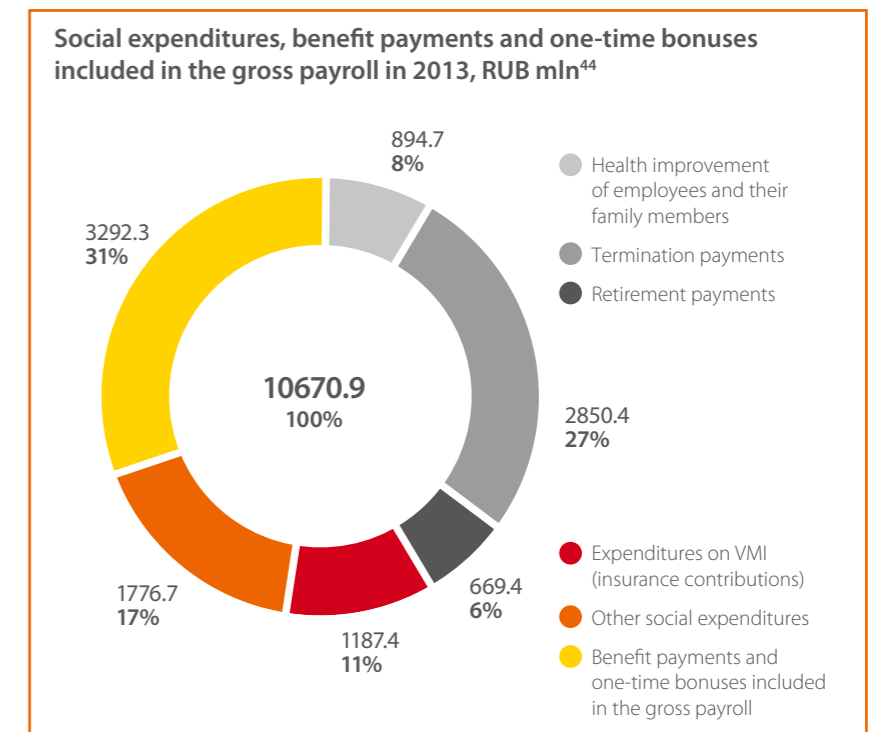
## HR MANAGEMENT PERFORMANCE OF THE COMPANY IN 2013

### Personnel Remuneration

In 2013, average social expenditures per personnel amounted to RUB 50.2 thousand.

In 2013, the Company started developing a new unified remuneration system intended, among other objectives, to harmonize approaches used at the existing and newly acquired assets. The new system will incorporate best practices in the field and will be focused on promoting employee performance.

Rosneft annually indexes salaries paid to its employees in order to maintain their decent living standard. In 2013, the salaries were indexed by up to 7.5% since April 1. In the reporting period, the average monthly salary across all Rosneft subsidiaries was RUB 60093<sup>45</sup>. Average salaries paid by most Rosneft subsidiaries were above average salaries paid in the respective regions. Despite the indexation, at some subsidiaries the average salary grew only insignificantly or even decreased compared to the previous year. This was a result of the introduction of a standard approach towards evaluating and rewarding annual performance of employees. According to the new policy, the annual bonus is paid to employees in the year following the reporting



one, whereas earlier it was paid in December of the given year based on the estimated performance. Another factor is that some subsidiaries expanded their headcount by recruiting employees with salaries lower than the average salary for the respective subsidiary.

An important instrument of HR management at Rosneft is a system of key performance indicators (KPIs). In 2013, the Company expanded its KPI system to include the newly integrated assets of TNK-BP. A significant addition to the KPI system in place at the new assets was the principle of each manager's personal responsibility for the performance of his or her unit.

Due to the adaptation of all corporate information systems to the changed scale of the Company's business, in 2013 Rosneft continued to run its Employee Performance Management System (EPMS) in a pilot mode.

<sup>44</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft. Social expenditures, benefit payments and one-time bonuses included in the gross payroll in 2013, including OJSC Udmurtneft and its subsidiaries, amounted to RUB 10872.5 (+201.6) mln.

<sup>45</sup> Within the centralized business-planning boundary, including 50% of OJSC Tomskneft. The average salary across the Company in 2013, including OJSC Udmurtneft and its subsidiaries, was RUB 59327.



## Motivation of participants of the refinery upgrade program

Today, one of the Company's key objectives is meeting the growing demand for high-quality environmentally safe motor fuel. Rosneft intends to achieve this objective through the implementation of a major investment program for the upgrade of Rosneft refineries, which will be able to fully switch to the manufacturing of emission class 5 motor fuels as a result. Highly skilled staff is essential for successful implementation

of various stages of the upgrade process.

In 2013, the Company adopted the Regulation on the Motivation of Participants of the Refinery Upgrade Program. The document is intended to motivate employees involved in the program for the completion of all stages within the defined timeframes and the allocated funds, while ensuring the required quality of work.

Participants of the project include key refinery upgrade experts employed either at Rosneft headquarters or at its subsidiaries. The upgrade program for each refinery includes a number of stages, their parameters being approved by Rosneft President. The implementation of all stages is strictly supervised.

## Comparison of monthly salaries in selected Rosneft subsidiaries and the regions where they are based, 2013, RUB

Significant regions of operation	Subsidiary	Average salary paid by the subsidiary, 2013	Average salary in the respective region in 2013 (statistical data) <sup>46</sup>	Ratio of average salary at the subsidiary to average salary in the region in 2013, %
Arkhangelsk Region	LLC RN-Archangelsknefteprodukt	28051	32468	86
Irkutsk Region	OJSC Angarsk Petrochemical Company	45445	29229	155
	OJSC Angarsk Polymer Plant	40823	29229	140
	CJSC Irkutsknefteprodukt	28414	29229	97
	OJSC Verkhnechonskneftegaz	100641	29229	347
Krasnodar Territory	LLC RN-Krasnodarneftegaz	37695	24247	155
	LLC RN-Tuapse Refinery	44780	24247	185
	LLC RN-Tuapsnefteprodukt	33019	24247	136
	OJSC RN-Kubannefteprodukt	18720	24247	77
Krasnoyarsk Territory	CJSC TNK Kuban	19263	24247	79
	CJSC Vankorneft	103889	31593	329

<sup>46</sup> Average monthly salaries in Russian regions are cited according to the data of the Federal Service for State Statistics available on the official website [www.gks.ru](http://www.gks.ru).

Significant regions of operation	Subsidiary	Average salary paid by the subsidiary, 2013	Average salary in the respective region in 2013 (statistical data) <sup>46</sup>	Ratio of average salary at the subsidiary to average salary in the region in 2013, %
	OJSC East Siberian Oil and Gas Company	107715	31593	341
	OJSC Achinsk Refinery VNK	50949	31593	161
	LLC RN-Krasnoyarsknefteprodukt	45404	31593	144
Orenburg Region	LLC Buguruslanneft	42836	21543	199
	OJSC Orenburgneft	56864	21543	264
Primorsky Territory	CJSC Eastern Petrochemical Company	96992	29970	324
	LLC RN-Nakhodkanefteprodukt	40314	29970	135
Dagestan Republic	OJSC Rosneft-Dagneft	19644	17135	115
	OJSC Dagneftegaz	17756	17135	104
Ingushetia Republic	OJSC RN-Ingushneft	19492	21491	91
	LLC RN-Ingushnefteprodukt	20661	21491	96
Komi Republic	LLC RN-Severnaya Neft	86685	37306	232
Ryazan Region	CJSC Ryazan Refining Company	59162	21932	270
	OJSC Ryazannefteprodukt	25245	21932	115
	OJSC Samaraneftegaz	44488	23433	190
Samara Region	OJSC Kuibyshev Refinery	38714	23433	165
	OJSC Novokuibyshevsk Refinery	38601	23433	165
	OJSC Syzran Refinery	38757	23433	165
Saratov Region	LLC Novokuibyshevsk Oils and Additives Plant	38902	23433	166
	OJSC Samaranefteprodukt	19372	23433	83
	OJSC Saratov Refinery	53849	20475	263
Sakhalin Region	OJSC Saratovnefteprodukt	19352	20475	95
	LLC RN-Sakhalinmorneftegaz	68842	48438	142
	CJSC RN-Shelf Far East	168502	48438	348
Stavropol Territory	LLC RN-Stavropolneftegaz	33524	20665	162
	OJSC Rosneft-Stavropolye	22758	20665	110
Tyumen Region	OJSC Tyumenneftegaz	135903	51016	266
	LLC TNK-Uvat	107684	51016	211
	LLC Tyumen Petroleum Research Center	151575	51016	297
Khabarovsk Territory	LLC RN-Komsomolsk Refinery	52982	33819	157

Significant regions of operation	Subsidiary	Average salary paid by the subsidiary, 2013	Average salary in the respective region in 2013 (statistical data) <sup>46</sup>	Ratio of average salary at the subsidiary to average salary in the region in 2013, %
Khanty Mansi AA – Yugra	LLC RN-Yuganskneftegaz	68026	54533	125
	OJSC Varyeganneftegaz	101769	54533	163
	OJSC RN-Nyagan	89622	54533	164
	OJSC RN-Nizhnevartovsk	91808	54533	168
	LLC Samotlorneftegaz	88216	54533	162
	LLC Krasnoleninsk Refinery	72233	54533	132
	LLC Nizhnevartovsk Refining Company	80942	54533	148
	LLC Zapsibnefteprodukt	45985	54533	84
Chechen Republic	OJSC Grozneftegaz	23031	20959	110
	LLC RN-Chechennefteprodukt	11979	20959	57
Yamalo-Nenets AA	LLC RN-Purneftegaz	73771	69439	106
	CJSC Rospan International	234179	69439	337

## Personnel Training and Development System

Rosneft has in place a company-wide personnel training system encompassing all business sectors and personnel categories. In 2013, the newly acquired assets were also integrated into the system. Each year, 75% of the Company's employees receive various forms of corporate training. Over four thousand training programs are delivered to Rosneft personnel by the Company's 59 corporate training centers, as well as the leading Russian and international universities and external training centers. In 2013, Rosneft employees received 201.5 thousand man-courses, including mandatory, professional, and management training.

The Company's training system includes external

professional training programs for all key sectors of its business delivered by the leading experts in the respective fields. At the same time, the Company develops its internal training resources. Internal training implies knowledge accumulation, organization, preservation and transmission within the Company in order to enhance its processes and master new technologies. Corporate training programs are delivered to personnel by over 2 thousand highly skilled internal trainers.

In 2013, meetings with HR units of all new subsidiaries were held in order to orient them on the Company's personnel development and training processes.

To identify best practices, TNK-BP's employee development and training programs were reviewed; some of their elements were selected for the implementation at Rosneft.

Since 2006, the Company has maintained a management training system for managers and members of the corporate candidate pool, which includes MBA programs, a management training program for chief executive officers of Rosneft subsidiaries, and a module-based program for

candidate pool members with a high potential.

Under a corporate project for the introduction of a competency-based approach towards employee development across the Company, a number of materials were developed, including professional development maps, competency matrices, 942 profiles, and over 7 thousand test questions for such business sectors and functions as oil and gas production, refining, offshore projects,

and HR management. In 2013, the Company started developing the corporate standard Competency-Based Assessment and Development of Personnel.

In the reporting year, the Company developed standards for six professions related to core operations of refineries. The Company started introducing corporate standards at its operations as part of a worker mentorship and development program, which was designed in 2013.

## Professional training program "Offshore drilling supervisor"

In February 2013, the Gubkin Russian State University of Oil and Gas started delivering the professional training program "Offshore drilling supervisor" to specialists of Rosneft subsidiaries. The one-year program has been designed specifically for Rosneft and currently has no analogues in the Russian practice of professional training. The beginning of major offshore projects in the Arctic makes the program particularly relevant. The program comprises seven two-week full-time modules, which include classroom lessons taught by experienced foreign specialists, development of practical skills at a full-scale drilling simulator, and a two-week

shadowing experience with a drilling supervisor on an actual drilling vessel or platform.

For the first program, twelve highly skilled well drilling and construction specialists were selected at the Company's subsidiaries. They will master an extensive course covering a broad range of subjects

from the international law to state-of-the-art offshore well construction techniques and equipment. On the completion of the course, in addition to an additional professional training diploma, the trainees will receive international well control certificates from IWCF and IADC (WellCAP), as well as rescue at sea certificates.



Training simulation of the Stena Drilling offshore drilling platform. Rosneft specialists have practiced their skills on the Stena Drilling platforms and drilling vessels.

### “Best in Profession” competition

The “Best in Profession” professional mastery competition is one of mass corporate events aiming to enhance personnel motivation. The annual competition, which has become a corporate tradition, serves both as an instrument of rewarding best employees and a mechanism of sharing best practices among the Company’s subsidiaries.

The final stage of the 2013 competition, which was held in Krasnodar Territory, brought together over 600 participants representing 105 major subsidiaries in the production, refining, and marketing sectors. Representatives of subsidiaries recently integrated into Rosneft also attended the traditional competition as observers. They

were able to visit industrial sites, learn about competition rules and watch participants competing, thus getting prepared for their own participation next year.

### Comprehensive personnel evaluation system

Indicator	2011	2012	2013
Number of developed profiles (cumulative total), units	186	380	942
Evaluation of professional competencies, persons	32	76	506
Evaluation of corporate and management competencies, thousand persons	4.7	9.6	11.9

### Training of Rosneft staff in 2013, man-courses

Indicator	2011	2012	2013
Total over the year	129836	135915	201500 <sup>47</sup>
By category			
Managers	28293	26120	38038
Candidate pool	940	1470	2547
Specialists	27070	28950	46809
Young professionals	2392	2430	3122
Workers	71141	76945	110984

<sup>47</sup> Employee training across the Company, including OJSC Udmurtneft and its subsidiaries in 2013: 204207 (+2707) man-courses.

### Development of the Candidate Pool Program

The Company’s candidate program involves systematic efforts to identify employees with the highest potential, support their development and training, and promote them to the key management positions. To the Company, the program is a guarantee of continuing availability of valuable human resources and the growth of the effectiveness

of its business, whereas to employees it is an opportunity for the development and career growth.

In 2013, the Company adopted an action plan to enhance its candidate pool management activities in 2013–2014. The plan is based on an analysis of best practices of Rosneft and TNK-BP.

In the context of the increasing number of joint projects with international partners, the Company established a dedicated subcommittee to select staff for such projects,

which is intended to provide joint ventures with skill sets appropriate to their objectives and organizational arrangements. The subcommittee also allocates resources provided to joint ventures in order to ensure the best possible use of available professional and managerial potential.

In 2013, the Company’s main partner in joint staff selection was ExxonMobil. In 2014, it is planned to start similar partner activities with Statoil.

### Working with the Youth in the Company’s Regions of Operation

#### Development of the system of Rosneft Classes

Indicator	2011	2012	2013
Number of Rosneft Classes	68	78	82
Number of students	1728	1967	2023
Number of regions	18	19	20
Expenditures on Rosneft Classes, RUB mln	81.0	88.9	109.2

#### Rosneft has maintained its continuous education system “School – University – Company” since 2005 to ensure the supply of well-trained and highly motivated specialists to its operations

In 2013, the Company supported 82 Rosneft Classes with 2023 school students in 39 communities in the Company’s key regions of operation in Russia.

An essential experience for ten-graders newly admitted to Rosneft Classes is team-building activities. Experienced trainers deliver a workshop titled Ladder to Success to introduce students

to the Company and its subsidiaries. The Company’s specialists also conduct vocational guidance activities, helping students make an informed career choice.

To support the teaching and learning process at Rosneft Classes, the Company has renovated and provided with state-of-the-art teaching and lab equipment 120 chemistry, physics, and computer



A total of 2023 students attend 82 Rosneft Classes in all Rosneft's regions of operation

**In 2013, first graduates of Rosneft Classes made their career choices: the Company was able to achieve the target percentage (over 30%) of graduates joining Rosneft after completing their university education relevant to the Company's business. By the end of 2013, the Company and its subsidiaries recruited 204 Rosneft Class graduates who completed their university education in 2013 or earlier, or 34.9% of the total number of students in the 2007–2008 classes**

science classrooms. Students of Rosneft Classes receive additional courses in subjects relevant to Rosneft's business, which are delivered by faculty of the Company's partner universities. Skills upgrading workshops are conducted annually for teachers and class masters of Rosneft Classes and principals of the respective schools, who receive state-recognized certificates.

Over a number of years, Rosneft has cooperated fruitfully with Russia's leading universities. The Company has long-term cooperation agreements with 30 universities, including 13 strategic partners, some of them being Gubkin Russian State University of Oil and Gas, Lomonosov Moscow State University, Moscow State Institute of International Relations, and the Siberian Federal University. In 2013, Rosneft signed two new cooperation agreements with the Far Eastern Federal

University and the Grozny State Petroleum University.

At the end of 2013, there were 15 specialized Rosneft departments and 5 specialized masters programs at partner universities.

In 2013, the Company held some 100 career orientation events for its partner universities (Rosneft Days, Career Days, business games, students' festivals, including "The Future of Rosneft", etc.), with over 9000 students attending them.

To strengthen students' motivation for learning and support best faculty members working on the subjects relevant to the Company, Rosneft provides corporate stipends and grants.

Each year, some 400 students of the partner universities receive corporate stipends from Rosneft, whereas over 20 faculty members receive grants from the Company.

At the end of 2013, Rosneft and Lomonosov Moscow State University embarked on an integrated cooperation program encompassing a number of projects in the field of geology and ecology and the training of specialists for the Company's innovation projects.

Rosneft has traditionally provided financial support to institutions of higher education: in 2013, it spent RUB 216.2 mln on financing various events and activities within the framework of its

partnership with universities. The priorities include the modernization of the teaching process, joint innovation projects, and the development of new higher education programs intended to meet the Company's demand for scarce skill sets, particularly for strategic and international projects.

In 2013, the Company started collaborating with universities to train specialists for its projects in Cuba and Venezuela, offshore projects, and a strategic project for the creation of a petrochemical complex in the Far East. Two new specialized masters programs were launched: System Analysis

and Complex System Management at the Moscow Institute of Physics and Technology, and Chemical Engineering of Functional Materials – at the Far Eastern Federal University.

### Rosneft Day at MIPT

In March 2013, the Company held a traditional Rosneft Day at the Moscow Institute of Physics and Technology (MIPT). Representatives of the Company's HR and financial services made presentations about the Company's development prospects and skill sets demanded by it, as well as work placement and job opportunities.

Rosneft signed its first cooperation agreement with MIPT in 2005. Since then, some 50 students graduated from the specialized masters program Fundamental and Applied Geophysics, received work placement at and were recruited by Rosneft subsidiaries and headquarters.

### Development of cooperation with universities

Indicators	2011	2012	2013
Number of partner universities	27	27	30
Number of students who received work placements	3494	3596	3822
Expenditures on cooperation with universities, RUB mln	194.4	213.5	216.2

### Festival "The Future of Rosneft"

At the 5th Students' Festival "The Future of Rosneft", its participants – 120 best students from 22 partner universities selected on a competitive basis – created attractive and informative vocational guidance products for school students.

All products – animated films, leaflets, and desktop games – featured jobs in the oil and gas sector.

Master classes and trainings were offered to festival participants.

## Work with Young Specialists

The Company puts special emphasis on working with young professionals – recent university graduates – supporting their effective work and career progress through accelerated adaptation and involvement in innovation, research, and project activities.

The Company recruits over one thousand young professionals annually.

Ninety one subsidiaries of Rosneft currently employ over 3.5 thousand young professionals assisted by over 2.5 thousand mentors. To maintain and enhance the quality

of the corporate mentorship, the Company holds annual mentors' conferences and regional workshops.

During their first three years at the Company, young professionals receive training programs intended to develop their professional and management competencies – the Adaptation School, the Professional Mastery School, and the Young Manager School. A module-based program called Growth Leaders helps select promising employees of the Company's subsidiaries for their candidate pools. In 2013, over 60 young employees were recommended for candidate pools of Rosneft subsidiaries.

The Company's young professionals participate in a research and design competition for young specialists of the fuel and energy sector,

which is held annually by the Russian Ministry of Energy. Rosneft conducts annual corporate science and technology conferences of young professional, which include three stages: regional, cluster, and interregional – the final stage bringing together the best young specialists from the entire Company. In 2013, personnel of the newly integrated assets took part in the 8<sup>th</sup> Interregional Science and Technology Conference of Young Professionals. At the conference, 295 young professionals from 72 subsidiary companies presented their projects, of which 40 projects were recommended for practical implementation. In 2013, the Company implemented 26 young professionals' projects of those selected at the 7<sup>th</sup> Interregional Conference in 2012; the projected economic benefits from their implementation amount to RUB 637 mln.

### Conference of young professionals' mentors

The annual corporate conference of Rosneft's mentors of young professionals was held in Moscow in June 2013. The event brought together over 50 mentors from 30 subsidiary companies.

The topics discussed at the conference included developing effective communication between mentors and their mentees, specifics of

adult education and training, and instruments of motivating young employees for professional development.

A modern-day mentor is not only an experienced coworker sharing knowledge and expertise, but also a skillful manager who has mastery of effective management instruments and techniques. A mentor should share with

the young colleague joining the Company not only professional knowledge and skills, but also the understanding of the Company and its corporate culture.

## Young professionals at Rosneft

Indicator	2011	2012	2013
Number of young professionals newly recruited after completing their university education, persons	1035	1065	1069
Number of young professionals at the Company, persons	2637	2868	3515
Number of young professionals participating in regional science and technology conferences	1278	1401	1828
Expenditures on corporate programs targeting young professionals, RUB mln	70.1	67.6	77.8

## Financing of the Company's continuous education and training system in 2013, RUB mln

Activity	2013
Skills upgrading programs at universities	51.7
Activities at the school level	109.2
Partnership with universities (development of the training base, work placements and internships, stipends and grants)	216.2
Work with young professionals	77.8
Conferences	9.9
TOTAL	464.8

## Ensuring Decent Working Conditions

Rosneft pays special attention to ensuring comfortable working conditions of its employees. The Company creates new recreation zones and finances projects to make working and living conditions of its staff more comfortable and safe.

One of the key priorities of the Company's social policy is the development and enhancement of its shift camps, which are currently used by some 19 thousand of Rosneft employees. At present, Rosneft has 73 operational shift camps

providing temporary accommodation for employees of its subsidiaries and contractors. Rosneft has adopted a corporate standard for the living conditions and amenities at its shift camps and carried out a targeted program to implement the standard. This resulted in major changes in the camps: replacement of old-style dormitories with new, more modern living complexes; gradual enhancement of health services available to shift workers; expanded range of services available at the camps; and new opportunities for sports and leisure.

In 2013, Rosneft spent RUB 8.5 bn on the development and maintenance of the social

infrastructure of its operations. Of that amount, RUB 1.2 bn was spent on the construction of new shift camps, RUB 1.7 bn – on the development and modernization of existing shift camps, field support bases, and other components of social infrastructure. The Company spent RUB 163.5 mln on the construction of administration and amenity buildings at its fields. Total expenditures on the maintenance of shift camps and field support bases amounted to RUB 5.5 bn.

## Supporting Personnel Health

Care for employees' health is a priority of Rosneft's social policy. Providing access to timely and quality health services is an essential component of the overall corporate program for protecting personnel' health. In 2013, the Company spent over RUB 10 bn on various personnel health programs and the promotion of a healthy lifestyle.

The key priorities of the corporate health program include:

- voluntary medical insurance (VMI) of employees that provides access to quality health services beyond those available under the mandatory medical insurance program;
- subsidized recreation programs, health resort treatment, and convalescent care

- for personnel, their family members, Rosneft veterans and pensioners;
- subsidized membership in sport clubs and health groups;
- sports and health improvement events for employees and their family members.

Rosneft pays special attention to the recreation and health improvement of its employees. The Company has a corporate regulation in this field and annually subsidizes health resort treatment and recreation of its staff.

The Company develops its own recreation centers and health resorts in accordance with its corporate priorities. At present, Rosneft owns 22 health resorts and recreation centers. Corporate health resorts based in Krasnoyarsk Territory, Samara Region, and at the Lake Baikal in Irkutsk Region have access to unique

natural therapeutic factors, which can be effectively used for the prevention and treatment of occupational diseases.

In accordance with the Company's plan of subsidizing personnel recreation and health resort treatment, in 2013 it financed such programs for 44.1 thousand employees and their family members (1.5 thousand more than in 2012). Of that number, 28.6 thousand persons spent their vacation at the Company's own health resorts. The Company's expenditures in this area amounted to RUB 607.9 mln.

Under a cooperation agreement between Rosneft and its Cuban partners, in 2013 the Company started a program for subsidized recreation and health resort treatment of its employees and their family members in Cuba.



### A tour to Cuba

In December 2013, 147 employees of the Company's operations went for a recreational and health tour to Varadero, a resort town in Cuba.

The visitors were offered a program, which included recreation, health resort treatment, and excursions to points of interests in Varadero,

Cayo Largo, Montemar Nature Park, the Bellamar Caves, Cienfuegos, Trinidad, and Havana.

The recreational tour of Rosneft employees became possible after the signing of a number of agreements with Cuban partners by Igor Sechin, Rosneft President, at

the end of November 2013. Cuba's unique climate and reach history together with traditionally high standards of health services (according to the World Health Organization, Cuba has one of the best public health systems in the world) make one expect a beneficial effect from such cooperation.

### Summer recreation opportunities for Samaraneftgaz personnel

Like In the previous years, in 2013 employees of OJSC Samaraneftgaz, a production subsidiary of Rosneft, and their family members were able to spend their summer vacation and boost their health at corporate health resorts and children's health and recreation centers. Over 220 children

of Samaraneftgaz employees spent their summer vacation at the health and recreation centers Salyut and Neftyanik in Samara Region. More than 500 persons visited corporate recreation centers Sosenki and Volzhskiy Zori. One recreation site particularly popular among Samaraneftgaz personnel is

Bavaria, a recreation center in Anapa on the Black Sea coast, where 760 employees and their family members spent their summer vacation in 2013. Samaraneftgaz also financed recreation of 500 employees at health resorts based in the North Caucasus, Samara Region, and Ulyanovsk Region.

At the end of 2013, the corporate voluntary medical insurance scheme financed by the Company covered 165 thousand personnel. In the reporting period, the Company spent RUB 1.2 bn on the corporate VMI scheme. The health services available to personnel covered by the scheme include outpatient and inpatient treatment, dental and diagnostic services, and immunoprophylaxis.

The Company maintains health posts at its industrial sites and

shift camps. Vaccination campaigns are carried out systematically during pre-epidemic periods.

A good health is an essential requirement for the Company's employees, many of whom work in extreme environmental conditions. Therefore the promotion of a healthy lifestyle is a key priority of Rosneft's social policy. The Company rents gyms and swimming pools for its staff, subsidizes sport and fitness club membership for

employees, conducts mass sports events, and organizes competitions and tournaments among its subsidiaries and their units. Rosneft personnel actively participates in various competitions at the municipal, regional, and federal district levels. Overall, more than 30 thousand employees participate in the corporate sports movement in one way or another.

## Ensuring Decent Housing Conditions

The Company for many years has maintained a housing program aimed at providing employees of Rosneft subsidiaries with housing, using a range of instruments:

- a corporate mortgage scheme;
- providing corporate housing;
- housing construction by Rosneft subsidiaries.

In 2013, 783 families of Rosneft employees improved their housing conditions under these programs, whereas the Company spent on the programs some RUB 680 mln.

The Company has a corporate mortgage scheme, under which employees receive an interest-free loan worth 25–35% of the housing price

(calculated according to the scheme rules) and a long-term loan worth the remaining part of the price from a partner bank. The latter loan is provided for up to 17 years at a reduced interest rate.

Furthermore, there is another mortgage project available to employees of Rosneft and its subsidiaries. The Russian Regional Development Bank (RRDB) provides mortgage loans at a market interest rate for up to 20 years to finance the purchase of an existing home. According to the project rules, the RRDB provides loans to employees of the Rosneft group with the total length of service of at least two years, including at least one year at the current place of work.

In a number of regions with limited housing markets and high prices (Grozny, Gubkinsky, Achinsk, Komsomolsk-on-Amur etc.),

the Company itself implements construction projects. The newly built apartments are then provided to employees either as corporate housing or under the corporate mortgage scheme.

Rosneft also participates in federal and regional housing construction programs. For example, in 2013 RN-Sakhalinmorneftegaz contributed RUB 150 mln to the housing construction project in the settlement of Nogliki. The new housing is intended to accommodate employees of Rosneft and public organizations being resettled from the sanitary buffer of the Katangli oil field.

social benefit offered by the Company is an interest-free educational loan – an effective instrument helping employees and their children get higher education in Russian institutions having state accreditation.

All guarantees, benefits and compensations available to the Company's employees are governed by collective bargaining agreements of the respective subsidiaries. At the end of 2013, 155 thousand employees across the

Company were covered by such agreements. As a result of the integration, in the reporting year, of a number of TNK-BP assets with a much lower percentage of employees covered by the agreements (particularly in the marketing and services sectors), the percentage of the covered employees at the end of the year was 70%<sup>48</sup>.

In 2013, the Company jointly with labor unions made ample efforts to draft a new model collective bargaining agreement for Rosneft operations. For the implementation of this project, a working group was created comprising specialists of the corporate HR Department,

representatives of the Interregional Labor Union Organization of Rosneft, and union representatives from Rosneft subsidiaries.

To identify an optimal range of benefits to include in the new model agreement, best practices across the Company, including its new subsidiaries, were analyzed. As a result of this work, an updated template was produced that contained over 20 new benefits; it was assumed that individual subsidiaries might choose to include those benefits in their collective bargaining agreements, thus making their benefit package more competitive. Furthermore, limits for certain

benefits were established; subsidiaries were allowed to form their benefit packages, taking into account their financial opportunities. A set of benefits available to those working in the Northern regions was included in a separate annex.

It is planned that the introduction of the new collective bargaining agreement will start on July 1, 2014. The transition will be gradual – a new agreement will be signed at each subsidiary as its current agreement expires.

## Participation in the Industry Agreement for Oil and Gas Sector Organizations in Russia

In 2013, Rosneft representatives were invited by the Russian Association of Oil and Gas Industry Employers to participate in a working group to discuss a draft Industry Agreement for 2014–2016 between employers and unions, covering oil and gas industry organizations and organizations involved in the construction of oil and gas industry facilities.

The parties to the Industry Agreement are the Russian Association of Oil and Gas Industry Employers and the Russian Oil, Gas, and Construction Workers' Union. The Agreement defines benefits, guarantees, and compensations above and beyond those defined by the existing

legislation, available to employees of the sector.

Despite the fact that Rosneft representatives participated in the working group in a consultative capacity, most of their proposals were accepted and incorporated into the final agreement by the Social and Labor Relations Commission. At the same time, certain provisions were accepted despite objections of Rosneft representatives, who believed that their implementation would require additional unplanned expenditures from Rosneft subsidiaries. It is assumed that Rosneft subsidiaries may join the agreement depending on their capacity to meet its commitments.

## Collective Bargaining Agreement and the Standardization of Benefits Available to Employees

Social benefits and payments is an integral component of the Company's remuneration benefits. The social benefit package is available to all employees of Rosneft subsidiaries and organizational units and includes a broad range of benefits:

- benefits related to health protection and recreation;

- subsidized voluntary medical insurance, subsidized recreation and health resort treatment for employees and their family members, and subsidized vacation travel;
- one-time financial aid in difficult life situations;
- one-time retirement bonus.

The Company pays additional allowances to women on maternity leave, reimburses accommodation expenses to employees living in dormitories etc. A significant

<sup>48</sup> The number of employees covered by collective bargaining agreements by the end of 2013, including OJSC Udmurtneft and its subsidiaries, was 161.9 (+6.9) thousand. The percentage of employees covered by the agreements at the end of 2013, with OJSC Udmurtneft and its subsidiaries taken into account, was 70.7%.

**Corporate Pension Program and Care for Veterans**



Over 57 thousand pensioners and veterans of the Company receive non-state corporate pensions

The Company's policy with regard to the corporate pension system is defined by the respective corporate standard, whose scope has been expanded since July 1, 2013 to include the newly integrated assets.

According to the Rosneft development concept, the overall size of pensions received by former employees retired from the Company should eventually reach at least 40–45% of their former remuneration.

Rosneft has successfully built its corporate pension system since 2000, managing it through the Neftegarant Non-State Pension Fund. The fund pays non-state (corporate) pensions, financing them with the funds contributed by Rosneft and income from investing these funds.

Rosneft subsidiaries have signed agreements on the management of corporate pensions with Neftegarant. In 2013, the total contribution of Rosneft and its subsidiaries

to Neftegarant was RUB 3.9 bn, including RUB 425.5 mln provided under the Veterans Social Support Project.

At the end of the year, the number of companies having agreement with the Neftegarant fund was over 290, whereas the number of persons receiving corporate pensions was over 57.6 thousand, including some 27.3 thousand pensioners and over 30.3 thousand veterans. The total amount of corporate pensions paid by Neftegarant in 2013 was around RUB 1.32 bn. The average corporate pension size was RUB 3.2 thousand per month. According to the results of an actuarial assessment of the fund's activities in 2013, its current financial status is stable, and there are no doubts regarding its ability to meet its obligations.

According to the corporate Veterans Social Support Project, corporate pensions paid to the veterans are indexed by 5% annually. Since the beginning of 2013, the

project has been extended to include 268 veterans of the Company headquarters who retired prior to the launch of the corporate pension program. Furthermore, collective bargaining agreements provide for several forms of veteran support, including one-time financial aid in special family circumstances,

subsidized recreation or health resort treatment, and financial assistance associated with holidays. In particular, veterans and participants of the Great Patriotic War receive financial assistance associated with the Victory Day. In 2013, the Company's total spending on these objectives was RUB 270 mln.

**Workshop "Relevant aspects of the implementation of the corporate pension program"**

A workshop on the implementation of the corporate pension program was held at Rosneft in November 2013. The event organized by the Social Development and Corporate Culture Department jointly with the Neftegarant fund was attended by representatives of over 130 subsidiaries of the Company from 53 cities. Workshop participants included heads of subsidiaries and dependent companies, supervisors of corporate pension programs, and specialists of HR and social services.

The Company managers informed workshop participants about cooperation between Rosneft and Neftegarant with regard to corporate pension programs. A special emphasis was put on major efforts aimed at the integration of new assets into Rosneft's corporate pension system.

**Occupational pension system in 2013**

Indicator	2011	2012	2013
Rosneft's contributions to the Neftegarant pension fund, RUB mln	2679	3358	3934
Number of persons receiving corporate pensions, persons	39893	54492	57654
Pension payments, RUB mln	753	1123	1321
Total value of personal pension plans with the Neftegarant fund, RUB mln	1174	1709	2178
Number of persons having personal pension plans with the Neftegarant fund, persons	26714	34923	41348
Number of Rosneft employees covered by the occupational pension system, thousand persons	over 125	over 133	over 182



# SOCIETY

## DEVELOPMENT OF THE SOCIAL IMPACT MANAGEMENT SYSTEM

The social focus of the Company's activities helps strengthen Rosneft's reputation as a reliable and responsible partner and ultimately supports the implementation of its strategy. In doing business, Rosneft considers the interests of local communities and society at large.

Care for Rosneft employees and regions of operation is the Company's substantial contribution to the social stability and development of the country

The goal of the Company's social policy is to develop a systemic approach to the management of social issues and social investment, ultimately leading to a positive impact on the social sector in the regions of operation.

Rosneft is interested in attracting highly skilled workforce through creating attractive conditions for its staff at the workplace and beyond. The Company seeks to provide its employees and their family members with modern comfortable housing, decent amenities at the workplace, quality health services, and opportunities for sports activities. These objectives are particularly important in the context of remote regions with severe climate. Targeted support of the social sphere helps minimize

social risks in Rosneft's regions of operation, thus opening up new opportunities for the development of the Company's business.

The Company also plays an important role as Russia's largest taxpayer. In 2013, Rosneft's taxes at all levels totaled RUB 2.7<sup>49</sup> trillion, including RUB 248 bn paid to regional budgets – some increase compared to the 2012 level (as adjusted for the acquisition of new assets). At the same time, the total amount of tax benefits received by the Company at the federal and the regional levels was RUB 142.6 bn.

## THE COMPANY'S SOCIAL PERFORMANCE IN 2013

### Collaboration with the Regions of Operation

Being the largest petroleum company in Russia, Rosneft puts particular emphasis on the implementation of integrated socio-economic programs in the Russian regions where its operations are based.

The Company provides funds for the development of social infrastructure under cooperation agreements, which are signed with governments of the regions essential to Rosneft's business.

In 2013, Rosneft's expenditures under socio-economic cooperation agreements with regional governments totaled RUB 3.7 bn. The Company financed urban improvement projects, construction of roads, schools, medical institutions, cultural and sports facilities, purchase of modern equipment etc. According to the cooperation agreements, regional governments submit reports for the Company to monitor the proper use of the funds.

<sup>49</sup> Including TNK-BP since 1 January 2013.

Rosneft expands its contribution to the socio-economic development of Russian regions, paying particular attention to the areas where its enterprises play a pivotal role in the regional and local economies. For example, in **Khanty-Mansi Autonomous Area**, in 2013 Rosneft financed landscaping projects in municipalities and rural communities, construction of a park with an indoor swimming pool, construction of two kindergartens and a sports and cultural center, and urban improvement projects in the city of Nefteyugansk.

In the settlement of Poykovsky, the Company finances the construction of a kindergarten and a cultural and educational center, in Pyt-Yakh – renovation of the local cultural center Russia.

Under the cooperation agreement between the Company and the government of the autonomous area, the Company has sponsored Hockey Club Yugra.

In **Samara Region**, the Company provides funds to administrations of municipalities and urban districts for the development of their social infrastructure.

Rosneft provided significant financing for the repairs and renovation of roads in Syzran and Novokuibyshevsk. It also continued financing the construction of an indoor skating rink in Otradny; the construction of a universal sports ground in Podbelsk was completed. Furthermore, Rosneft provided funds for the purchase of machinery and equipment for municipal utility services of Sergievsky district, and repairs of structures in the Yablonevy mini-garden in Samara.

In **Ingushetia Republic**, Rosneft financed the construction of a kindergarten in Ordzhonikidzevskoe and a secondary school in Psedakh.

In **Chechen Republic**, the Company started the construction of a school for 360 children in the village of Novy Benoy in Gudermes municipal district.

In **Stavropol Territory**, Rosneft subsidiaries financed the construction and renovation of social facilities, purchase of street sweeping machines, repairs and renovation of schools, as well as cultural and sports facilities.

In **Krasnodar Territory (Tuapse district)** the Company implemented projects for major renovation and repairs of kindergartens and schools, restoration of the paving of public roads, landscaping of areas adjacent to apartment buildings, and restoration of street lighting.

In 2013, Rosneft signed a number of agreements for socio-economic cooperation and the development of industrial and infrastructure projects in its regions of operation. Such agreements were signed with Rostov, Murmansk, Tyumen, Ryazan regions and Krasnodar Territory. The Company also signed an additional cooperation agreement with Ingushetia Republic.

### Expenditures under regional socio-economic cooperation agreements, RUB mln<sup>50</sup>

	2011	2012	2013
Expenditures under regional socio-economic cooperation agreements	3227.8	2801.07	3684.7 <sup>51</sup>

<sup>50</sup> According to management accounts (within the centralized business-planning boundary).

<sup>51</sup> Expenditures under regional socio-economic cooperation agreements in 2013, with OJSC Udmurtneft and its subsidiaries taken into account, amounted to RUB 3695.9 (+11.18) mln.

**Financing of the construction, renovation, equipping, and maintenance of social facilities in the Company's regions of operations in 2013, number of facilities**

Facilities	Construction	Renovation, equipping	Maintenance
pre-school institutions	10	79	8
schools	4	123	82
universities		23	65
cultural facilities	1	34	34
sports facilities	4	55	82
healthcare institutions	2	32	6
temples	9	24	9

**Expenditures under regional socio-economic cooperation agreements in 2013 by category, RUB mln**

	RUB mln	Percentage, %
Healthcare	60.8	1.65
Education and science	644.2	17.48
Sports	828.3	22.48
Culture	41.7	1.13
Pre-school institutions	171.9	4.67
Revival of spiritual heritage	2.3	0.06
Minority indigenous peoples of the North	0.6	0.02
Infrastructure development	1720.4	46.69
Environment	4.2	0.11
Miscellaneous	210.3	5.71

It is also important to note that Rosneft's regional operations provide a strong impetus for the development of local small and medium businesses, using them as suppliers and contractors. Each job created at a Rosneft enterprise leads to the creation

of several jobs in the regional economy. Joint activities of Rosneft and its regional partners are a powerful driver of the enhancement of the quality of life in the Company's regions of operation.

**1.4**

BILLION RUBLES – THE TOTAL AMOUNT OF EXPENDITURES SPENT BY THE COMPANY FOR CHARITY IN 2013

**Financing the construction of social facilities in Sentyabrsky**

The Company provided RUB 66 mln for the construction of social facilities in Sentyabrsky, a rural community in Nefteyugansk district, under the framework cooperation agreement between Rosneft and the government of Khanty-Mansi Autonomous Area. New facilities – the kindergarten Sunshine and the cultural center Pearl of Yugra – were

built using state-of-the-art construction technologies, making valuable contribution not only to the social services, but also to the urban environment.

The Company spent on the co-financing of the kindergarten project some RUB 25 mln, on the construction of the cultural center – RUB 37 mln.

**Charity**

Rosneft and its subsidiaries develop an annual plan of charity activities based on requests for charity aid submitted by individuals and non-governmental organizations. In compiling the plan, the Company takes into account provisions of the Federal Law "On Charity" and corporate criteria for evaluating charity projects set forth in the respective internal regulation.

The plan of charity activities is approved by the Board of Directors as part of the Company's overall business plan and financed from the social policy budget of the Company.

All proposed charity initiatives of Rosneft are reviewed by relevant organizational units; the funds are released only after the approval by the Rosneft Management Board. The annual report on the Company's charity spending is provided to

internal auditing services and external auditors. The audit of the Company's charity programs in 2013 has not identified any cases of inappropriate use of the funds by beneficiaries.

Overall, the Company spent RUB 1.4 bn on charity in 2013.

**Rosneft's charity expenditures, RUB mln<sup>52</sup>**

	2011	2012	2013
Charity expenditures	2864.2	3422.0	1438.8 <sup>53</sup>

<sup>52</sup> According to management accounts (within centralized business-planning boundary).

<sup>53</sup> In 2013, charity expenditures across the Company, including OJSC Udmurtneft and its subsidiaries, were 1458.2 (+19.4) RUB mln.

**Rosneft's charity expenditures by category in 2013, RUB mln**

	RUB mln	Percentage, %
Healthcare	77	5.4
Education and science	402.8	28.0
Sports	35.6	2.5
Culture	147.8	10.3
Pre-school institutions	79.2	5.5
Aid to veterans, persons with disabilities, and people in need	98.2	6.8
Children's homes	27.5	1.9
Charitable and non-governmental organizations, humanitarian aid	199.2	13.8
Revival of spiritual heritage	208	14.5
Minority indigenous peoples of the North	10.5	0.7
Regional and municipal infrastructure	55.9	3.9
Miscellaneous	97.1	6.7

**Conservation of threatened animal species**

As part of its program to support the conservation of threatened animal species, the Company sponsors polar bears kept in the Moscow Zoo. In 2013, it spent RUB 8 mln on this program.

Rosneft also finances actions to preserve and support the Amur tiger population, which are implemented by the Far East Amur Tiger Center.

**Kemerovonefteprodukt helps children prepare for school**

Annually, before the beginning of the new school year, Rosneft subsidiaries participate in events and campaigns associated with the Knowledge Day.

LLC RN-Kemerovonefteprodukt took part in the charity campaign "Help Prepare for School!" intended to help children from

low-income families purchase necessary materials for the school year. Future first-graders received bright backpacks with a full set of necessary stationary items financed by charity donations of Kemerovonefteprodukt.

**Supporting Minority Indigenous Peoples of the North**



One charity project financed by Rosneft is the School of Beginning Sled Dog Drivers in the settlement of Baykit (Krasnoyarsk Territory). The school, which is very popular among local residents, also trains sled dogs – huskies

**Assistance to minority indigenous peoples of the North is a priority area of the Company's charity activities**

A number of Rosneft subsidiaries implement oil and gas production projects in the areas of traditional residence and nature use of indigenous communities. These companies include RN-Yuganskneftegaz (Khanty-Mansi Autonomous Area – Yugra), RN-Purneftegaz (Yamalo-Nenets Autonomous Area), Vankorneft (Krasnoyarsk Territory), East Siberian Oil and Gas Company (Evenkia), RN-Sakhalinmorneftegaz

(Sakhalin Region), RN-Severnaya Neft (Komi Republic and Nenets Autonomous Area).

Rosneft supports initiatives for the preservation of traditional cultures of indigenous communities and contributes to their economic development, financing the purchase of equipment for their economic practices – overboard motors, snowmobiles, and household appliances.

**Expenditures on supporting minority indigenous peoples of the North in 2013 by category, RUB mln**

	RUB mln
Housing construction	1.2
Construction and repairs of social facilities	2.3
Construction and repairs of infrastructure	7.5
Providing equipment and other resources	38.9
Preservation of traditional culture, health improvement programs	7.7

**Expenditures on supporting minority indigenous peoples of the North, RUB mln**

Overall, in 2013, Rosneft spent on supporting minority indigenous peoples of the North over RUB 57 mln, including

compensations paid to traditional nature users and expenditures on land remediation.

	2011	2012	2013
Expenditures on supporting minority indigenous peoples of the North	181.6	66.8	57.6 <sup>54</sup>



Komsomolsk Refinery traditionally is among sponsors of the "Crane over Amur" festival

**Contribution of the Komsomolsk Refinery to celebrating the anniversary of Dzhuyen (Amur district)**

In 2013, the ethnic village of Dzhuyen in Amur district, a home to over 500 Nanais, celebrated its 85<sup>th</sup> anniversary. The festivities included Stork over the Amur, a traditional annual festival of

minority indigenous peoples of the North. Like in the previous years, the Komsomolsk Refinery was one of the sponsors of the event.

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MILLION RUBLES – ALLOCATED FOR SUPPORT OF THE MINORITY INDIGENOUS PEOPLES OF THE NORTH IN 2013

<sup>54</sup> Including compensations paid to traditional nature users and expenditures on land remediation (RUB 46.6 mln).

**Sports and Cultural Events**

**An important corporate event is Rosneft Spartakiad (a multi-sports team-based tournament)**

There is both a winter (ice hockey, skiing, skating, and sled relay) and a summer (futsal, volleyball, basketball, table tennis, track and field, kettlebell lifting, chess, and tug of war) Spartakiads, both held annually.

In 2013, some 20 thousand employees took parts in try-out competitions carried out at individual subsidiaries to select athletes for teams

that then competed in the summer and the winter Spartakiads.

The finals of the 9th Rosneft Spartakiad were held in Moscow between September 30 and October 4, 2013. Six hundred and thirty participants from 17 teams of Rosneft subsidiaries competed for the titles of the best athletes of Russia's largest energy company.



About 20000 Company employees took part in the selection games for teams to participate in Summer and Winter corporate games in 2013

**In 2013, the third corporate talent festival "Rosneft Ignites Stars" was held**

The event included selection competitions held in individual subsidiaries, and regional festivals carried out in Krasnodar, Angarsk, Samara, and Moscow. Participants presented their creative acts and works in five categories: vocals, vocal and instrumental ensembles, specialty genres, choreography, and visual arts.

The final stage of the annual corporate festival was held on May 15, 2013 in the cultural center "On Yauza" in Moscow. Over 2 thousand employees representing 57 Rosneft subsidiaries took part in various stages of the festival, including selection stages.



## Independent Assurance Report on the Sustainability Report 2013

### To the Board of Directors and Stakeholders of OJSC Oil Company Rosneft

#### Identification and description of the subject matter

At the request of OJSC Oil Company Rosneft (hereinafter 'Rosneft') we have provided a limited level assurance on the qualitative and quantitative information disclosed in the Sustainability Report 2013 of Rosneft (hereinafter 'the Report') except for the following matters:

- ▶ forward-looking statements on performance, events or planned activities of Rosneft; 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.

#### Identification of the criteria

The criteria of our engagement were the GRI Sustainability Reporting Framework (hereinafter 'the GRI Framework'), including version 3.1 of the Sustainability Reporting Guidelines (hereinafter 'the GRI G3.1 Guidelines') and the sustainability reporting principles of Rosneft as set out in section 'About the report' on page 14 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 the information therein in compliance with the GRI Framework and the sustainability reporting principles of Rosneft that are described in section 'About the report' on page 14 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 reliable and sufficient representation of sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2013;
- ▶ the Report is consistent with the principles and the requirements of 'A+' Application level of the GRI G3.1 Guidelines.

#### Summary of work performed

Our engagement was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by IFAC, and accordingly included the following procedures:

- ▶ interviews with representatives of Rosneft's management responsible for its sustainability policies, activities, performance and relevant reporting,
- ▶ analysis of key documents related to Rosneft's sustainability policies, activities, performance and relevant reporting,
- ▶ analysis of Rosneft's stakeholder engagement activities via reviewing minutes of stakeholder meetings conducted by Rosneft, and summary report on the results of stakeholder meeting campaign,
- ▶ benchmarking of the Report against sustainability reports of selected international and Russian peers of Rosneft, and lists of sector-specific sustainability issues raised by stakeholders,
- ▶ review of a selection of corporate and external publications with respect to Rosneft's sustainability policies, activities, events, and performance in 2013,
- ▶ identification of sustainability issues material for Rosneft based on the procedures described above and analysis of their reflection in the Report,
- ▶ review of data samples regarding human resources, energy, environment, health and safety, and charitable activities for key indicators for the year ended December 31, 2013, as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately at the central office level,

- ▶ review of data samples regarding key sustainability indicators in human resources, energy, environment, health and safety, and charitable activities for TNK-BP assets, to assess whether these data have been collected, prepared, collated and reported appropriately, for the years ended December 31, 2011 and 2012,
- ▶ visits to a Rosneft subsidiary — an oil and gas producing company Samotlorneftegaz CJSC in order to gather evidence supporting the assertions on Rosneft's sustainability policies, activities, events, and performance made in the Report, including results of the integration,
- ▶ 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's sustainability reporting principles, and
- ▶ assessment of compliance of information and data disclosures in the Report with the requirements of 'A+' Application level of the GRI G3.1 Guidelines.

We believe that our procedures provide a basis on which we can provide limited assurance. 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.

#### Basis for Qualified Conclusions

The Report does not provide sufficient representation of Rosneft's performance regarding greenhouse gas emissions due to absence of approved national greenhouse gas inventory method.

#### Conclusions

Based on our work described in this report, except for the effect on the Report of the matter described in the Basis for Qualified Conclusions paragraph, nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects does not provide reliable and sufficient representation of sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2013 in accordance with the GRI Framework and sustainability reporting principles of Rosneft.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of "A+" Application level of the GRI G3.1 Guidelines.

*Ernst & Young Valuation  
and Advisory Services, LLC*

**Moscow  
21 August 2014**

# ANNEX 1. ACHIEVEMENT OF OBJECTIVES PRESENTED IN ROSNEFT SUSTAINABILITY REPORT 2012. OBJECTIVES AND TARGETS FOR 2014–2017

## Achievement of Objectives Presented in Rosneft Sustainability Report 2012

Objective	Achievement
<b>Innovation</b>	
Continue implementing the Innovation Development Program; implement key innovation projects	<p>The following projects were implemented as part of the Innovation Development Program:</p> <ul style="list-style-type: none"> <li>A technology for development of low-permeability reservoirs was introduced at oil fields of RN-Yuganskneftegaz. Using the technology, 32 wells were drilled in 2013, 167 thousand additional tonnes of oil were produced; projected economic benefit is RUB 670 mln. The technology can potentially lead to the development of 100 mln tonnes of hard-to-recover reserves.</li> <li>In 2013, new oil and gas condensate deposits at the Mogdinsky license area in Irkutsk Region were discovered. Additional yield of up to 425 thousand of scm per day of gas and condensate, and 90 tonnes per day of oil was achieved.</li> <li>The development of a drillable system for repairing extended leaks in a production string was completed. It is expected that over 10 years the use of the technology will help resume production at over 400 currently idle wells, providing more than 47 thousand additional tonnes of oil per year and economic benefits exceeding RUB 240 mln per year.</li> <li>A gas preparation unit based on the 3S supersonic separation process with the performance of 160 mscm per year was developed. It is planned that such a unit will be installed by RN-Yuganskneftegaz.</li> <li>Using RN-KIM software package developed in-house, RN-Yuganskneftegaz planned the drilling of 13 horizontal wells with the expected NPV increase of RUB 2–4 mln per ha.</li> <li>As part of the Company's Arctic research program, two unique expeditions KARA-Winter-2013 and KARA-Summer-2013 were carried out to explore ice and weather conditions with the ultimate goal of supporting the exploration and development of hydrocarbon resources in the southwestern sector of the Kara Sea.</li> <li>An analogue of the K4-20 high-pressure compressor oil used by the Russian Navy was developed, and the respective manufacturing process was implemented.</li> </ul>
Implement actions within the framework of the New Technology System (NTS) and the pilot testing program	Based on the results of NTS and pilot testing projects carried out in 2010–2012, in 2013 128 successfully tested technologies were introduced. The total cost of the projects was RUB 13445 mln, additional oil production – 1082 thousand tonnes, projected economic benefits – over RUB 4 bn.
Complete the establishment of the Arctic Research and Design Center in partnership with ExxonMobil	On June 11, 2013, Rosneft and ExxonMobil signed the final agreement on the Arctic Research and Design Center and an agreement on the joint use of technologies developed by the Center in various regions of the world.
Continue cooperation with research institutions in the field of innovation development	At the end of 2013, Rosneft and the Moscow State University started implementing an integrated cooperation program under a framework agreement. The program involves a number of projects in the field of geology, development of membrane technologies, creation of efficient sensors for measuring pollutant content in indoor air and ensuing safety of industrial processes, environmental projects, and training specialists for the Company's innovation projects.
<b>Environmental safety</b>	
Create the working group Environment and Industrial Safety in the Development of the Arctic Resources	The creation of the working group was postponed until 2014.
Update the Company's strategy and policies with regard to environmental safety; carry out an assessment of environmental risks, taking into account the expanded scale of operations	The development of the Company's Environmental Safety Strategy and updating of its HSE Policy was postponed until 2014 due to the need to analyze and incorporate the implications of the expanded scale of operations after the integration of new assets.

Carry out an assessment of environmental risks associated with offshore projects	At present, the Company carries out preparatory activities for an assessment of those risks. HSE programs of joint ventures created for the implementation of offshore projects provide for an assessment of environmental risks.
Continue environmental cooperation with international partners	<p>The Company and its partners completed the signing of the quadrilateral Declaration on the Environmental Protection and Biodiversity Conservation in the Exploration and Development of Oil and Gas Resources on the Russian Arctic Continental Shelf.</p> <p>The possibility of the creation of a joint Coordination Center was explored. In 2013, work was carried out to prepare environmental safety sections for agreements with international partners and to draft HSE programs and plans for joint ventures.</p>
Approve methodological guidelines for the inventory of greenhouse gas emissions at the Company level	In view of the upcoming adoption of a national GHG inventory methodology in 2015, the Company decided to postpone the approval of corporate GHG inventory policies until the adoption of the national methodology. In 2014, the Company created a dedicated working group, whose main objectives include the improvement of Rosneft's corporate system of GHG inventory and reporting, and engagement with executive authorities and non-governmental organizations with regard to these issues.
Develop an Energy Conservation Program for 2014–2018	A new Energy Conservation Program for 2014–2018 was developed. It is estimated that the implementation of the Program will result in the saving of energy resources equivalent to 4600 tce or RUB 35471 mln, whereas the cost of planned energy conservation measures, energy accounting system, and energy audits is RUB 9474 mln.
<b>Industrial safety and OHS</b>	
Reduce the number of accidents at field pipelines at least by 5% annually	The Company implemented actions to improve the reliability of its pipeline system, which helped reduce the number of field pipeline failures by 12% compared to the previous year.
Develop a new pipeline reliability improvement program	In 2013, as part of the overall business planning process, the existing program was updated and extended until the end of 2015. A new program is being drafted to be submitted for approval before the end of 2015.
Reduce occupational injury rate	The Company's occupational injury rate in 2013 was worse than Rosneft's performance in 2012; however, some reduction in the injury rate adjusted for the acquisition of new assets took place.
Improve the effectiveness of operational oversight in the field of OHS, industrial safety, and fire safety at facilities of the Company's subsidiaries	All HSE inspections of Rosneft subsidiaries planned for 2013 were carried out.
Enhance industrial safety of the Company's hazardous industrial facilities	To enhance industrial safety of the Company's hazardous industrial facilities, inspections of the respective subsidiaries within the framework of corporate operational oversight (15 of 15 planned) and targeted inspections by Rosneft HSE Department (13 of 13 planned) were carried out.
Continue enhancing the performance of the Company's industrial safety and OHS management system, particularly taking into account the integration of new assets and planned offshore projects	<p>In 2013, the Company made active efforts to enhance its industrial safety and OHS management system:</p> <ul style="list-style-type: none"> <li>Rosneft started drafting an Occupational Health and Industrial Safety Management Concept, which is supposed to become the Company's fundamental document in this area;</li> <li>at all Rosneft subsidiaries, HSE departments were made directly subordinate to the respective chief executive officers;</li> <li>a number of key corporate regulation in this field were updated;</li> <li>work to automate data collection processes was carried out;</li> <li>a Situation Center for Crisis Management was created;</li> <li>work to create a separate industrial safety and OHS unit in the exploration and production sector of the Company's business was started.</li> </ul>
Implement the targeted corporate program for the modernization and equipping of fire services in 2013–2016	In the reporting year, the targeted program for the modernization of corporate fire services was approved and enacted. By the end of 2013, the procurement of equipment and materials envisioned by the program was completed, whereas the purchase of some machinery was postponed until 2014. In 2013, the Company spent on fire and radiation safety RUB 9.3 bn.

Enhance preparedness of subsidiaries and corporate fire services for effective response to possible fires at industrial facilities	An annual demonstration fire exercise at the Company's explosion and fire hazardous facilities was carried out. The exercise included the demonstration of modern fire equipment and effective techniques of firefighting at hazardous facilities (1 exercise of 1 planned).
Reduce the number of fires due to inappropriate operation of process equipment	The number of fires due to inappropriate operation of process equipment was reduced (3 fires in 2013 compared to 6 in 2012).
Ensure conformance of the integrated HSE management system to the international standard OHSAS 18001	The conformance of the integrated HSE management system to the international standard OHSAS 18001 was confirmed. A plan of internal audits of the integrated HSE management system was fully completed.
<b>Employees</b>	
Ensure the integration of new assets with minimal risks	Due to well-coordinated actions of the Company's HR services, staff of the new assets was successfully integrated. Numerous meetings with labor collectives of new assets, among other measures, helped avoid social conflicts and conflicts regarding remuneration, social benefits, and compensations.
Create HR committees under vice presidents to develop the Company's human resource potential and enhance the effectiveness of the candidate pool system Development of the corporate candidate pool: • expand the Company's strategic candidate pool • update the candidate pool for first-tier executive positions • build candidate pools for all positions essential to operations of the Company's subsidiaries	In Q4 2013, HR committees were created as collegial bodies intended to reinforce the engagement of senior executives in the formation, development, and promotion of candidate pools for their respective sectors.  The expansion of the Company's strategic candidate pool and updating of the candidate pool for first-tier executive positions is planned for 2014.
Ensure the development of the corporate compliance system	To reduce the risk of ethical conflicts, it is planned to implement a conflict of interest management program as part of the overall compliance system in 2014.
Start the development of professional standards in cooperation with the respective ministries and agencies	In 2013, the Company developed standards for six professions related to core operations of refineries. The Company started introducing corporate standards at its operations as part of a worker mentorship and development program, which was designed in 2013.
Carry out science and technology conferences of young professionals: regional, cluster, and the final interregional conference	The planned science and technology conferences were carried out with 1828 young professionals participating in them. At the 8th Interregional Conference there were 295 participants from 72 subsidiaries.
Develop a standard model collective bargaining agreement for Rosneft subsidiaries	A new template of a model collective bargaining agreement was developed for Rosneft subsidiaries with the involvement of union organizations. Social benefit packages offered to employees are based on the principles of social justice, but may differ between subsidiaries, depending on the nature of operations and economic capacity of the subsidiary, as well as geography of operations and regional circumstances. The range and size of benefits are determined by the collective bargaining agreement and other corporate regulations.
Develop a program for providing healthcare services to employees involved in the implementation of offshore projects	The Company prepared an action plan to develop healthcare services and medical insurance schemes for employees of Rosneft and its contractors involved in the implementation of offshore projects and projects in East Siberia. Programs of personal insurance (VMI and injury insurance) for participants of Arctic offshore projects.
Continue the development of health posts in shift camps	In 2013, the Company spent RUB 1.7 bn on the development and modernization of existing shift camps, field support bases, and other components of social infrastructure, including health posts in shift camps.
Introduce corporate standards with regard to providing employees with recreation, health resort, and convalescence services Provide subsidized recreation and health resort services to employees and their family members at Russian recreation centers and health resorts in accordance with the respective action plan Continue disease prevention programs to reduce sickness rate among employees.	A corporate regulation on providing Rosneft employees with recreation and health resort services was approved. The Company introduced a new effective system for providing employees with subsidized recreation and health resort services. It conducts annual tenders to procure such services from external providers. In accordance with the Company's plans, in 2013 it financed recreation and health resort services for 44.1 thousand employees and their family members (1.5 thousand more than in 2012). Of that number, 28.6 thousand persons spent their vacation at the Company's own health resorts. The Company's expenditures in this area amounted to RUB 607.9 mln. In 2013, the Company continued disease prevention actions in line with the overall employee health protection program.

Carry out a review of the existing employee healthcare system at Rosneft, and develop actions to standardize it and enhance its effectiveness	A comprehensive review of the existing employee healthcare system at Rosneft was carried out; an action plan to standardize the system and enhance its effectiveness were developed, approved by Rosneft's Vice President for HR and Social Policy, and circulated among subsidiaries for implementation.
Carry out comprehensive audits of on-site health posts of Rosneft subsidiaries, develop standard requirements to emergency medical aid at the Company's industrial facilities	Comprehensive audits of 149 on-site health posts of Rosneft subsidiaries were carried out; standard requirements to emergency medical aid at the Company's industrial facilities were developed.
Carry out procurement procedures for personal insurance services for employees of Rosneft and its subsidiaries, including employees of newly integrated assets	The procurement procedures were carried out, and the insurance company SOGAZ was selected as a service provider. 1500 Rosneft headquarters employees and some 40 thousand employees of its subsidiaries were additionally covered by insurance programs.
Development of the "School – University – Company" continuous education system: • ensure the maximum possible rate (at least 30%) of graduates of Rosneft Classes joining Rosneft after completing a relevant higher education program • raise the cooperation with universities to a qualitatively new level in order to provide the Company's prospective projects (including offshore projects and upgrade of refining operations) with highly skilled staff • Ensure the inflow of prospective young professionals to the Company; continue improving the Company's system for the development and retention of young professionals • provide support to education systems in the Company's regions of operation in line with Rosneft's overall social policy	The Company was able to achieve the target percentage (over 30%) of graduates joining Rosneft after completing their university education relevant to the Company's business. At present, the Company and its subsidiaries employ 204 Rosneft Class graduates who completed their university education in 2013 or earlier, or 34.9% of the total number of students in the 2007–2008 classes. Rosneft has long-term cooperation agreements with 30 universities based in its regions of operation, including 13 strategic partners. There are 15 specialized Rosneft departments and 5 specialized masters programs at partner universities. At present, 91 Rosneft subsidiaries employ over 3.5 thousand young professionals assisted by over 2.5 thousand mentors. To maintain and enhance the quality of the corporate mentorship, the Company holds annual mentors' conferences and regional workshops. During their first three years at the Company, young professionals receive training programs intended to develop their professional and management competencies – the Adaptation School, the Professional Mastery School, and the Young Manager School.
Ensure the implementation of annual corporate training plans in the following areas, among others: • training staff for offshore projects • training staff for upgraded refineries • training staff within the framework of the strategy for improving the quality of services at the Company's filling stations.	The Company has 59 corporate training centers delivering over four thousand training programs to its employees. In 2013, Rosneft employees received 201.5 thousand man-courses, including mandatory, professional, and management training; some training programs specifically addressed the Company's strategic development priorities.
Introduce a system of assessment of professional and technical competencies in across all areas of the Company's business	The Company started developing the corporate standard Competency-Based Assessment and Development of Employees. As part of the introduction of the assessment system, 265 employees of HR services of Rosneft subsidiaries were certified according to corporate procedures and assessment standards.
<b>Society</b>	
Continue roundtable meetings with stakeholders, conducting at least as many events as in 2012	In 2013, the Company carried out the seventh annual series of roundtable meetings with stakeholders in order to support the implementation of Rosneft's Sustainability Policy. The meetings were held in 16 key regions of operation (compared to 15 in 2012) with 39 Rosneft subsidiaries (compared to 34 in 2012) taking part in them. They represented all stages of the Company's value chain, including oil and gas production, refining, and marketing.
Continue systematic development of cooperation with the regions of operation within the framework of socio-economic cooperation agreements, among other mechanisms	In 2013, Rosneft's expenditures under socio-economic cooperation agreements with regional governments totaled RUB 3.7 bn. The Company signed a number of agreements for socio-economic cooperation and the development of industrial and infrastructure projects in its regions of operation. Such agreements were signed with Rostov, Murmansk, Tyumen, Ryazan regions and Krasnodar Territory. The Company also signed an additional cooperation agreement with Ingushetia Republic.

## Objectives for 2014–2017

2014	2015–2017
<b>Innovation</b>	
Implement actions envisioned by the Innovation Development Program	<p>Ensure hydrocarbon reserve replacement at least at the current production level</p> <p>Ensure maximum possible hydrocarbon recovery rates at newly developed fields; develop systemic measures to increase oil and gas recovery rates at existing fields</p> <p>Develop techniques for economically sound development of unconventional hydrocarbon reserves</p> <p>Increase the refining depth</p> <p>Introduce new techniques for processing heavy residues and petrochemical manufacturing</p>
<b>Environmental safety</b>	
Update the Company's policy with regard to environmental safety, taking into account the expanded scale of operations	Achieve environmental targets for 2014–2018 (see Annex 2. Environmental Performance Targets through 2018)
Ensure prevention of incidents with environmental consequences in the implementation of offshore projects	
Continue cooperation with international partners with regard to environmental safety of operations	
Continue cooperation with government authorities with regard to environmental safety and projects in the Arctic	
Achieve an associated petroleum gas recovery rate of 79.6%	
Achieve the saving of fuel and energy resources of at least 431 thousand tce	Achieve the saving of fuel and energy resources of at least 2899 tce
<b>Industrial safety and OHS</b>	
Reduce occupational injury rate	Reduce occupational injury rate to 0.30 cases per thousand employees in 2020
Enhance industrial safety of the Company's hazardous industrial facilities	Reduce the number of accidents to 3 in 2020
Reduce the number of fires and incidents potentially leading to a fire at the Company's facilities compared to 2013	Reduce the number of fires to 18 in 2020
Ensure conformance of the integrated HSE management system to the international standard OHSAS 18001	
Reduce the number of accidents at field pipelines at least by 5% annually	
<b>Employees</b>	
Develop labor productivity indicators for key sectors of the Company's business, approve a methodology for their evaluation, and use them for planning activities for 2015 and beyond	Introduce a system for regular assessment of the human resource potential and formation of a candidate pool
Develop a unified remuneration system for the entire Company (taking into account specifics of key areas of its business)	<p>Introduce a competency-based approach toward the development of the Company's staff</p> <p>Develop and implement standardized requirements for employee competency and skill level for key sectors of the Company's business and positions</p> <p>Ensure employee evaluation in terms of conformance with the Company's requirements and the identification of a priority development zone for employee competencies</p> <p>Enhance the overall level of employee technical competencies: in 2020, the level of competencies (among those evaluated) should be 85–90 points (the maximum possible value being 100 points)</p>
Development of a model organizational structure for oil and gas production, refining operations and marketing	Ensure early identification of areas with potential skills scarcity/demand with subsequent development of a targeted plan to address the gaps identified and preparation and launch of appropriate training programs
Implement a mechanism for advance forecasting of skills demand covering scarce skill sets, among others	Develop and implement a personnel retention program covering remote unattractive areas, among others

Create an effective staff rotation system ("mobile staff") and launch a staff mobility / rotation program

Create a unified HR data management system based on the maximum possible automation and standardization of processes

Develop an employee health protection system for offshore projects in the Kara Sea  
 Develop a regulation on emergency medical aid at Rosneft  
 Provide subsidized recreation and health resort services to employees and their family members at Russian recreation centers and health resorts in accordance with the respective action plans  
 Developed a corporate regulation on VMI

Develop and implement a comprehensive Health Program building on effective elements of the existing employee health protection system  
 Develop standards and quality criteria for health services available to employees involved in Arctic offshore projects  
 Implement, in a staged manner, a comprehensive action plan for the promotion of a healthy lifestyle culture at the Company and ensure evaluation of its effectiveness  
 Standardize approaches toward VMI across Rosneft subsidiaries

Optimize HR management business processes to better meet the demands of the Company's business

### Society

Continue systematic development of cooperation with the regions of operation within the framework of socio-economic cooperation agreements, among other mechanisms



# ANNEX 2. ENVIRONMENTAL PERFORMANCE TARGETS THROUGH 2018

## Exploration and production

	Unit	Target					
		2014	2015	2016	2017	2018	
<b>1 AIR EMISSIONS TARGETS</b>							
1.1	Percentage of APG flared or vented (not including deposits at an early development stage, APG with methane content below 50%, and APG flared during planned repair shutdown of gas processing unit)	%	18.3	6.0	5.0	5.0	5.0
1.2	Percentage of APG flared or vented, or lost (including deposits at an early development stage, APG with methane content below 50%, and APG flared during planned repair shutdown of gas processing unit)	%	21.0	7.5	7.2	7.2	7.2
1.3	Percentage of emissions above established limits	%	15.5	3.0	0.5	0.5	0.5
1.4	Specific emissions of benzo(a)pyrene	tonnes*10 <sup>-8</sup> per thousand tce	2.70	2.65	2.65	2.45	2.40
1.5	Specific emissions of sulphur dioxide	tonnes per thousand tce	0.075	0.070	0.040	0.035	0.030
1.6	Specific emissions of nitrogen oxides	tonnes per thousand tce	0.110	0.080	0.075	0.071	0.071
1.7	Specific emissions of hydrocarbons (including VOCs)	tonnes per thousand tce	2.100	1.800	1.700	1.650	1.610
1.8	Specific total emissions	tonnes per thousand tce	5.90	4.60	4.50	4.50	4.50
<b>2 WATER USE TARGETS</b>							
2.1	Share of produced water sent to evaporation fields	m <sup>3</sup> per thousand m <sup>3</sup>	1.600	0.900	0.900	0.350	0.200
2.2	Specific fresh water consumption (withdrawn+ received from other organizations) in oil and gas production	m <sup>3</sup> per tce	0.60	0.55	0.53	0.51	0.51
<b>3 LAND USE TARGETS</b>							
3.1	Area of legacy contaminated land, at the end of the period	thousand ha	3.1	2.5	2.0	1.4	1.0
3.2	Area of contaminated land from current operations to be remediated, at the beginning of the period	years of generation	2.75	2.75	2.75	2.45	2.25
<b>4 WASTE MANAGEMENT TARGET</b>							
4.1	Amount of legacy drilling waste, at the end of the period	mln tonnes	1.72	0.57	0.03	0.00	0.00
4.2	Amount of drilling waste from current operations to be processed, at the beginning of the period	years of generation	0.65	0.45	0.40	0.40	0.40
4.3	Amount of legacy oil sludge waste, at the end of the period	mln tonnes	5.52	5.19	4.96	4.77	4.53
4.4	Amount of oil sludge waste from current operations to be processed, at the beginning of the period	years of generation	0.70	0.50	0.50	0.50	0.50

## Refining and petrochemical manufacturing

	Unit	Target					
		2014	2015	2016	2017	2018	
<b>1 AIR EMISSIONS TARGETS</b>							
1.1	Percentage of emissions above established limits	%	1.5	1.4	0.1	0.1	0.1
1.2	Specific emissions of benzo(a)pyrene	tonnes*10 <sup>-8</sup> per thousand tce	4.20	4.80	5.20	6.20	6.20
1.3	Specific emissions of sulphur dioxide	tonnes per thousand tce	0.480	0.460	0.450	0.500	0.500
1.4	Specific emissions of nitrogen oxides	tonnes per thousand tce	0.130	0.120	0.120	0.170	0.170
1.5	Specific emissions of hydrocarbons (including VOCs)	tonnes per thousand tce	0.750	0.730	0.720	0.700	0.680
1.6	Specific total emissions	tonnes per thousand tce	1.60	1.50	1.50	1.55	1.55
<b>2 WATER USE TARGETS</b>							
2.1	Percentage of recycled water in the total process water consumption	%	93.00	93.00	93.00	93.50	93.50
2.2	Specific water consumption	m <sup>3</sup> per tce	0.900	0.900	1.000	0.950	0.950
<b>3 LAND USE TARGETS</b>							
3.1	Area of legacy contaminated land, at the end of the period	ha	50	48	47	0	0
<b>4 WASTE MANAGEMENT TARGETS</b>							
4.1	Amount of legacy oil sludge waste, at the end of the period	mln tonnes	0.160	0.100	0.070	0.000	0.000
4.2	Amount of oil sludge waste from current operations to be processed, at the beginning of the period	years of generation	6.00	6.00	5.90	5.90	5.30
4.3	Amount of industrial and municipal waste from current operations to be processed, at the beginning of the period	years of generation	1.3	1.30	1.40	1.30	1.2

## Commerce and logistics

	Unit	Target					
		2014	2015	2016	2017	2018	
<b>1 AIR EMISSIONS TARGETS</b>							
1.1	Percentage of emissions above established limits	%	0.50	0.10	0.10	0.05	0.05
1.2	Specific emissions of hydrocarbons (including VOCs)	tonnes per thousand tce	0.074	0.074	0.072	0.071	0.069
1.3	Specific total emissions	tonnes per thousand tce	0.10	0.10	0.09	0.09	0.08
<b>2 WATER USE TARGETS</b>							
2.1	Percentage of recycled water in the total process water consumption	%	40.00	43.00	43.00	46.00	46.00
2.2	Specific water consumption	m <sup>3</sup> per tonne	0.012	0.012	0.011	0.010	0.010
<b>3 WASTE MANAGEMENT TARGETS</b>							
3.1	Amount of oil sludge waste from current operations to be processed, at the beginning of the period	years of generation	1.35	1.15	1.1	1.1	1.0
3.2	Amount of industrial and municipal waste from current operations to be processed, at the beginning of the period	years of generation	0.05	0.03	0.03	0.03	0.02

## ANNEX 3. KEY SUSTAINABILITY PERFORMANCE INDICATORS OF TNK-BP IN 2011–2012

Indicator	2011	2012
<b>Operating and economic performance indicators</b>		
SEC proven oil reserves, mmt	1056.8	1091.8
SEC proven gas reserves, bscm	187.4	255.6
Oil and gas condensate production, mmt	74.6	74.9
Gas production, bscm	14.1	14.9
Hydrocarbon production, mboe	650.4	656.6
Oil processing, mmt	24.5	25
Gasoline production, thousand tonnes	5602	5583
Diesel fuel production, thousand tonnes	6477	6732
Assets at the end of the year, RUB bn	1112	1157
Total revenues and equity share in profits of joint ventures and associates, RUB bn	729	803
Total equity, RUB bn	825	898
Current and non-current liabilities, RUB bn	287	259
<b>Generated and distributed direct economic value, RUB bn</b>		
<i>Generated direct economic value</i>		
Revenues	1139	1241
<i>Distributed economic value</i>		
Operating costs	374	426
Employee wages and benefits	33	39
Payments to providers of capital	116	164
Payments to governments	408	434
Community investments	1.1	1.2
<i>Retained economic value</i>	207	177
<b>Environmental performance indicators</b>		
Associated petroleum gas production, bscm	14.0	14.8
Associated petroleum gas use, bscm	11.6	12.2
Associated petroleum gas recovery rate, %	82.9	82.6
Total air pollutant emissions, thousand tonnes	951	975
Total water withdrawal from all sources, mcm	665.24	653.25
Use of water from all sources, mcm	583.63	569.25

Disposal of industrial wastewater, thousand m <sup>3</sup>	28394	27304
including to underground strata, thousand m <sup>3</sup>	28367	27298
including to water bodies, thousand m <sup>3</sup>	0	0
including to land, thousand m <sup>3</sup>	27	5
Disposal of utility wastewater, thousand m <sup>3</sup>	50195	52514
Used water sent to other organizations for reuse, thousand m <sup>3</sup>	162	158
Volume of recycled and reused water, mcm	407	333
Area of contaminated land at the end of the year, ha	2413	2180
Land remediation over the year, ha	8283	8416
Including contaminated land, ha	391	289
Waste stored at the beginning of the year, thousand tonnes	4213	4032
Waste generation over the year, thousand tonnes	1279	1347
Waste received (from external organizations and as a result of a reorganization of another legal entity), thousand tonnes	0.20	0.22
Waste recovery, thousand tonnes	151	228
Waste decontaminated and processed, thousand tonnes	428	554
Waste disposed at landfills, thousand tonnes	214	70
Waste sent to external organizations for disposal, thousand tonnes	613	796
Waste stored at the end of the year, thousand tonnes	4032	3909
Total consumption of organic fossil fuel (non-renewable energy sources) used for energy production, GJ	8390078	12360092
Electricity purchased (excluding electricity sent to external organizations), MWh	12300443	12065784
Heat purchased (excluding heat sent to external organizations), Gcal	1369835	1222524
Capital environmental expenditures, RUB mln	3985	4430
Operating environmental expenditures, RUB mln	3776	6075
Environmental fines payable, RUB mln	0	0
<b>Industrial safety and occupational health and safety indicators</b>		
Occupational injury rate (injuries per one mln hours worked)	0.68	0.47
Occupational fatality rate (cases per 100 mln hours worked)	0.00	3.54
Lost day rate (days lost due to work-related injuries and occupational diseases per one mln hours worked)	48.7	31.8
Occupational disease rate (total number of diagnosed occupational diseases per one mln hours worked)	0.00	0.02
Number of accidents <sup>55</sup>	3	4
Number of fires	9	9
Number of gas, water, and oil inflows and blowouts	3	2
Total number of pipeline ruptures (oil, gas, and water pipelines)	1717	1548
Number of field pipeline ruptures involving spills	908	773

<sup>55</sup> The number of accidents does not include accidents associated with gas, water, and oil inflows and blowouts.

Pipeline rupture rate, per km	0.083	0.076
Oil and petroleum products spilled due to pipeline ruptures, tonnes	541	394
Total length of operational field pipelines at the end of the period, km	20812	20494
Expenditures on OHS and industrial safety, RUB mln	1037	1304
Expenditures on emergency prevention, fire and radiation safety, RUB mln	2036	2615
<b>Innovation indicators</b>		
R&D expenditures, RUB bn	7.3	11.8
<b>HR management indicators</b>		
Staff size at the year end, thousand persons	47.5	50.8
Average staff size over the year, thousand persons	45.4	48.5
Employee turnover, %	18.1	15.1
Average monthly salary, RUB	70576	86146
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln	39224	53084
Social payments to employees, RUB mln	1442	1649
<b>Society performance indicators</b>		
Tax payments and export duties, RUB mln	845689	954743
incl. tax payments to the federal budget and customs duties, RUB mln	748673	841025
incl. tax payments to regional budgets, RUB mln	91587	106395
incl. payments to extra-budgetary funds, RUB mln	5429	7323
Expenditures on social programs, including social investments and charity in the regions of operation, RUB mln	6605	7183
incl. creation of optimal working conditions, RUB mln	2803	3270
incl. implementation of regional cooperation agreements, RUB mln	291	295
incl. charity, RUB mln	595	657
incl. other social expenditures, RUB mln	2916	2961

# ANNEX 4. CORRESPONDENCE BETWEEN THIS REPORT AND GRI SUSTAINABILITY REPORTING GUIDELINES

(version 3.1), the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API (2010), the Principles of the UN Global Compact, and the RUIE Basic Performance Indicators for Non-Financial Reporting (2008)

Disclosure (indicator)	GRI <sup>56</sup>	IPIECA <sup>57</sup>	UNGC <sup>58</sup>	RUIE <sup>59</sup>	Report section	Page(s)	Disclosure status
<b>Strategy and analysis</b>							
Statement from the Chairman of the Board, Statement from the CEO	1.1		*60		Message from the Chairman of the Board of Directors; Message from the President and the Chairman of the Management Board	4–7	+
Description of key impacts, risks, and opportunities	1.2						+
• description of the significant impacts the organization has on sustainability and associated challenges and opportunities	1.2				Stakeholder Engagement	38–39, 42–43	+
<i>Additional information is available on Rosneft's corporate website <a href="http://www.rosneft.com/Development/factors/">http://www.rosneft.com/Development/factors/</a></i>							
• an explanation of the approach to prioritizing these challenges and opportunities	1.2				Stakeholder Engagement	40–41	+
• key conclusions about progress in addressing these topics and related performance in the reporting period	1.2				Message from the President and the Chairman of the Management Board; Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2012. Objectives and Targets for 2014–2017; Annex 2. Environmental Performance Targets through 2018; Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	6–7, 106–110, 112–114, 8–13, 115–117	+
• description of the main processes in place to address performance and / or relevant changes	1.2				Sustainability Management	31–33	+
• description of the most important risks and opportunities for the organization arising from sustainability trends	1.2				Risk Management	35–37	+

56 Disclosure or indicator code according to the GRI Guidelines.

57 Indicator code according to the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API.

58 Principle of the UN Global Compact.

59 RUIE basic performance indicator.

60 Statement expressing continued support.

• prioritization of key sustainability topics as risks and opportunities according to their relevance for long-term organizational strategy	1.2				Risk Management	34	+
• table(s) summarizing performance against targets, and lessons-learned for the current reporting period	1.2				Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012; Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2012. Objectives and Targets for 2014–2017	8–9, 11, 115–117, 106–110	+
• table(s) summarizing targets for the next reporting period and mid-term objectives and goals related to key risks and opportunities	1.2				Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2012. Objectives and Targets for 2014–2017	110–111	+
• concise description of governance mechanisms in place to specifically manage these risks and opportunities, and identification of other related risks and opportunities	1.2				Risk Management; Environment; Industrial Safety and Occupational Health; Personnel; Society	34, 50–51, 67–68, 76–78, 96	+
<b>Organizational profile</b>							
Name of the organization	2.1				Contact Details	138	+
Primary brands, products, and/or services	2.2				The Company in 2013: General Information	18–19	+
<i>Primary products are oil and petroleum products.</i>							
Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.3				The Company in 2013: General Information	18	+
<i>Additional information is available in Rosneft Annual Report 2013 and on Rosneft's corporate website <a href="http://www.rosneft.com/about/Glance/">http://www.rosneft.com/about/Glance/</a></i>							
Location of organization's headquarters	2.4						+
<i>Rosneft headquarters is based in Moscow.</i>							
Number of countries where the organization operates	2.5				The Company in 2013: General Information	18	+
<i>See Rosneft Annual Report 2013 (p. 10, and section Building International Business, pp. 76–79).</i>							
Nature of ownership and legal form	2.6				The Company in 2013: General Information	18	+
<i>See Rosneft Annual Report 2013 (section Corporate Governance – Share Capital, pp. 121–122).</i>							
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7						+
<i>See Rosneft Annual Report 2013 (section Efficient Sales of Oil, Gas and Refined Products, pp. 54-63, and Appendix 1: Consolidated Financial Statements, Note 8: Segment Information, pp. 163–165).</i>							

Scale of the organization	2.8				+
<i>See Rosneft Annual Report 2013, pp. 1–2, 10–11</i>					
• number of employees (breakdown by country/region)	2.8	Key Sustainability Performance Indicators; Personnel; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	11, 76–77, 117		+
• net sales, sales/revenues by countries/regions that make up 5 percent or more of total revenues	2.8	Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	8, 115		+
<i>See Rosneft Annual Report 2013 (Appendix 1: Consolidated Financial Statements, Note 8: Segment Information, pp. 163–165).</i>					
• total capitalization	2.8				+
<i>In 2013, the average capitalization of Rosneft Oil Company was RUB 2.5 trillion (Source: <a href="http://www.micex.com/marketdata/quotes?secid=ROSN">http://www.micex.com/marketdata/quotes?secid=ROSN</a>).</i>					
• quantity of products or services provided	2.8	Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	8, 115		+
• total assets	2.8	Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012			+
• beneficial ownership (including identity and percentage of ownership of largest shareholders)	2.8	The Company in 2013: General Information Corporate Governance System	18, 28–29		+
• costs by countries/regions that make up 5 percent or more of total revenues	2.8				+
<i>The Company carries out most of its operations in the Russian Federation. Rosneft's foreign assets are not significant cost centers. See also Rosneft Annual Report 2013 (Financial, Operating and Sustainable Development Highlights, pp. 14–17).</i>					
Significant changes during the reporting period regarding size, structure, or ownership	2.9	Message from the Chairman of the Board of Directors; Message from the President and the Chairman of the Management Board; The Company in 2013: General Information – Integration of New Assets; Corporate Governance System	4–6, 19–21, 26–27		+
Awards received in the reporting period	2.10	Message from the Chairman of the Board of Directors; Corporate Governance System; Industrial Safety and Occupational Health	5, 30, 69–71		+
<b>Report Parameters</b>					
Reporting period	3.1	About This Report	14		+
Date of most recent previous report (if any)	3.2	About This Report	14		+
Reporting cycle	3.3	About This Report	14		+

Contact point for questions regarding the report or its contents	3.4		About This Report; Contact Details	14, 138	+
Process for defining report content	3.5		About This Report	14	+
Boundary of the report	3.6	App. A	About This Report	15	+
Limitations on the scope or boundary of the report	3.7	App. A	About This Report	15	+
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and / or between organization	3.8	App. A	About This Report	15	+
<i>The Report boundary includes the subsidiaries, in which the Company holds at least a 50% interest, and whose performance is significant in terms of sustainability aspects. Report boundaries for individual indicators may depend on the existing data collection systems and processes, as explained in the respective indicator notes.</i>					
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	3.9		About This Report	15	+
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3.10		About This Report Key Sustainability Performance Indicators Environment – Development of the Environmental Management System Environment – Environmental Performance of the Company in 2013 – Emissions to Air, Associated Petroleum Gas Recovery, Water Consumption and Wastewater Discharge, Waste Management and Remediation of Contaminated Lands, Manufacturing of Environmentally Safer Motor Fuel, Energy Consumption and Energy Efficiency	14–15, 8–13, 50–51, 57–59, 60, 62, 64–66	+
<i>The main reasons of re-statements of information in this Report include development and enhancement of the corporate reporting system, and more accurate measurement of certain data on gasoline and diesel fuel consumption, APG use, and OHS and industrial safety expenditures.</i>					
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11		About This Report	15	+
Table identifying the location of the Standard Disclosures in the report	3.12		This Annex	118–136	+
Policy and current practice with regard to seeking external assurance for the report	3.13		About This Report	14	+

Governance, Commitments, and Engagement			
Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	4.1		+
<i>See Rosneft Annual Report 2013 (section Corporate Governance, pp. 103–111).</i>			
Indication whether the Chair of the highest governance body is also an executive officer	4.2		+
<i>See Rosneft Annual Report 2013 (section Corporate Governance, p. 104).</i>			
For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	4.3	SE15	+
<i>There are four independent directors serving on the Board of Directors of Rosneft: Matthias Warnig, Nikolai Laverov, John Mack, Donald Humphreys. See also Rosneft Annual Report 2013 (section Corporate Governance, p. 103).</i>			
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4	SE16	+
<i>The main mechanism for the Company's employees to provide recommendations is meetings of labor collectives with senior executives of the respective subsidiaries. Shareholders are able to provide their recommendations using standard mechanisms common to joint-stock companies.</i>			
Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	4.5		+
<i>See Rosneft Annual Report 2013 (section Board of Directors and Management Remuneration, pp. 116–117).</i>			
Processes in place for the highest governance body to ensure conflicts of interest are avoided	4.6		+
<i>See Rosneft Annual Report 2013 (Appendix 3: Information on the Observance of the Code of Corporate Conduct, p. 196) Additional information is available on Rosneft's corporate website <a href="http://www.rosneft.com/Investors/corpgov/">http://www.rosneft.com/Investors/corpgov/</a></i>			
Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	4.7		+
<i>See Rosneft Annual Report 2013 (Appendix 3: Information on the Observance of the Code of Corporate Conduct, p. 103) Additional information is available on Rosneft's corporate website <a href="http://www.rosneft.com/Investors/corpgov/">http://www.rosneft.com/Investors/corpgov/</a></i>			

Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	4.8	1.1. Sustainability Management	31–33	+
<i>Additional information is available on Rosneft's corporate website <a href="http://www.rosneft.com/Investors/corpgov/Sustainability%20Policy%20of%20Rosneft">http://www.rosneft.com/Investors/corpgov/Sustainability Policy of Rosneft</a> <a href="http://www.rosneft.ru/attach/0/02/68/development_policy.pdf">http://www.rosneft.ru/attach/0/02/68/development_policy.pdf</a> The Code of Business Ethics <a href="http://www.rosneft.ru/attach/0/02/76/Kodeks_rus.pdf">http://www.rosneft.ru/attach/0/02/76/Kodeks_rus.pdf</a> The Code of Corporate Conduct <a href="http://www.rosneft.ru/attach/0/57/72/corporate_code.pdf">http://www.rosneft.ru/attach/0/57/72/corporate_code.pdf</a></i>				
Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	4.9	Corporate Governance System; Sustainability Management; Risk Management	28, 30–34, 37	+
<i>The Board of Directors evaluates the Company's sustainability performance annually, when reviewing Rosneft Sustainability Report.</i>				
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10			+
<i>See Rosneft Annual Report 2013 (section Board of Directors and Management Remuneration, pp. 116–117).</i>				
Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.11	Principle 7		+
<i>The Company considers it important to carry out necessary expert reviews and studies in order to minimize adverse environmental impacts of planned activities.</i>				
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.12			+
<i>The Company joined the UN Global Compact and the Social Charter of the Russian Business in 2009; it joined the Anti-Corruption Charter of the Russian Business in 2013.</i>				
Memberships in associations (such as industry associations) and / or national/international advocacy organizations	4.13			+
<i>The Company is a member to the following associations or initiatives:</i>				
<ul style="list-style-type: none"> <li>• UN Global Compact;</li> <li>• Social Charter of the Russian Business;</li> <li>• Russian National Committee for the World Petroleum Congresses;</li> <li>• Union of Oil and Gas Producers of Russia;</li> <li>• Board of Trustees of Gubkin Russian State University of Oil and Gas;</li> <li>• Russian Chamber of Commerce and Industry;</li> <li>• Russian-Canadian Business Council;</li> <li>• Russian Association of Summer Olympic Sports;</li> <li>• Non-Profit Partnership "Russian National Committee for the United Nations Environment Programme" (UNEP/COM).</li> </ul>				

List of stakeholder groups engaged by the organization	4.14					+
<b>The Company identifies the following stakeholder groups and engages with them as described in this Report:</b>						
• <b>Employees</b>						
• <b>Business community:</b>						
· shareholders and investors						
· suppliers						
· consumers						
• <b>Society:</b>						
· government						
· local communities						
· educational institutions						
Basis for identification and selection of stakeholders with whom to engage	4.15					+
<b>The Company engages with all stakeholder groups that influence the Company's activities and are influenced by them. For more details, see Rosneft Sustainability Report 2009 (Stakeholder Engagement, pp. 38–39).</b>						
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16	SE1, SE16	Stakeholder Engagement	38–41		+
Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	4.17		Stakeholder Engagement	40, 42–43		+
<b>ASPECT: ECONOMIC PERFORMANCE</b>						
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	EC1	SE4, SE13, SE14	1.2, 1.3, 1.4, 1.5, 1.6, 1.7	Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	8, 115	+
Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2			Environment – Environmental Performance of the Company in 2013 – Greenhouse Gas Emissions	58	–
<b>The Company has not yet assessed the implications of climate change for its activities. The Company plans to carry out such an assessment as part of risk assessments for its subsidiaries and present results in its reports for 2014 or 2015.</b>						
Coverage of the organization's defined benefit plan obligations	EC3		1.8.	Personnel – HR Management Performance of the Company in 2013 – Corporate Pension Program and Care for Veterans	94–95	+
<b>According to the results of an actuarial assessment of Neftegaz Pension Fund's activities in 2013, its current financial status is stable, and there are no doubts regarding its ability to meet its obligations (see <a href="http://www.neftegarant.ru/pokazateli/act.php">http://www.neftegarant.ru/pokazateli/act.php</a>).</b>						
Significant financial assistance received from government	EC4	SE13				+
<b>In a number of regions of operation, the Company and its subsidiaries have used tax benefits, mainly on income tax and corporate property tax, in accordance with the federal and regional legislation. In 2013, the total amount of tax benefits used by the Company was RUB 142.6 bn.</b>						

<b>ASPECT: MARKET PRESENCE</b>						
Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	EC5		Principle 1	Personnel – HR Management Performance of the Company in 2013 – Employee Remuneration; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	79–82, 117	+
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	EC6	SE5, SE7	Principle 1			+
<b>Rosneft selects its suppliers and contractors on the basis of tenders. Ceteris paribus, the preference is given to Russian suppliers. Equipment by foreign manufacturers can be procured only in case when economic benefits from the use of such equipment substantially exceed those of using Russian analogues, or no Russian analogues are available. In order to further reduce procurement of imported equipment, the Company makes significant efforts to study new products offered by Russian manufacturers, test them, and adopt them for production use. In 2013, the share of imported goods and services in the Company's total procurement was 13%.</b>						
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	EC7	SE5, SE6	Principle 6	Personnel – HR Management Performance of the Company in 2013 – Working with the Youth in the Company's Regions of Operation	85–88	+
<b>In 2013, the approaches towards local hiring remained generally unchanged; the share of managers hired from local community (according to permanent residence registration) was 81%<sup>61</sup>.</b>						
<b>ASPECT: INDIRECT ECONOMIC IMPACTS</b>						
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC8	SE4		Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012; Society – The Company's Social Performance in 2013	8–11, 96–102	+
Understanding and describing significant indirect economic impacts, including the extent of impacts	EC9	SE6		Message from the Chairman of the Board of Directors; Message from the President and the Chairman of the Management Board; Society	4–7, 96	+
Volume and type of estimated proved reserves and production	OG1			Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	8, 115	+
<b>Environmental Performance Indicators</b>						
Management approach		1.1.	Environment		50–51	+
Environmental management system				Environment – Development of the Environmental Management System	50–52	+
<b>ASPECT: MATERIALS</b>						
Materials used by weight or volume	EN1					+
<b>In addition to the use and processing of oil and gas, the Company uses significant amounts of materials for well drilling and completion. The amount of such materials procured in 2013 was:</b>						
• pipes – 781.9 thousand tonnes;						
• cement – 169.4 thousand tonnes;						
• crushed stone – 1099.5 thousand tonnes;						
• chemicals – 2283.3 thousand tonnes.						

61 With OJSC Udmurtneft and its subsidiaries taken into account, in 2013 the percentage of managers hired from local community across the Company was 81.3% (90% at OJSC Udmurtneft and its subsidiaries).

Percentage of materials used that are recycled input materials	EN2	E10		2.1.						+	
<i>Oil-containing waste recycled into marketable products by the Company represents an insignificant portion of materials used.</i>											
<b>ASPECT: ENERGY</b>											
Direct energy consumption by primary energy source	EN3	E2		2.2.	Environment – Environmental Performance of the Company in 2013 – Energy Consumption and Energy Efficiency; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	65, 116					+
<i>The Company's subsidiaries use different types of fuel, primarily natural and associated petroleum gas, as well as fuel oil (87% and 11 % of the total fuel consumption respectively).</i>											
Indirect energy consumption by primary source	EN4	E2	Principles 8, 9		Environment – Environmental Performance of the Company in 2013 – Energy Consumption and Energy Efficiency	65					±
<i>Due to insufficient information about the sources of the energy consumed, the Company is presently unable to provide a reliable breakdown by primary energy source. An estimate of primary energy consumption was made on the basis of the National Energy Mix 2011.</i>											
Total amount invested in renewable energy	OG2	E3	Principle 9		Innovation Development	48					+
<i>Within the framework of its Innovation Development Program, the Company implements a number of R&amp;D projects related to producing electricity from renewable energy sources. At present, the respective investments account for an insignificant fraction of the Company's overall investments.</i>											
Total amount of renewable energy generated by source	OG3	E3	Principle 9								+
<i>At present, the Company does not produce electricity from renewable sources.</i>											
Energy saved due to conservation and efficiency improvements	EN5	E2			Environment – Environmental Performance of the Company in 2013 – Energy Consumption and Energy Efficiency	66					+
<b>ASPECT: WATER</b>											
Total water withdrawal by source	EN8	E6	Principle 8	2.3.	Key Sustainability Performance Indicators; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012; Environment – Environmental Performance of the Company in 2013 – Water Consumption and Wastewater Discharge	115, 60					+
<i>According to the new data collection methodology, the Company discloses information on the full volume of water withdrawn, including rainwater, collected wastewater, and bottom water.</i>											
Water sources significantly affected by withdrawal of water	EN9	E6	Principle 8	2.3.							+
<i>The Company has not found evidence of significant impacts on water sources. Volumes of water withdrawn from surface and underground sources are within permitted limits.</i>											
Percentage and total volume of water recycled and reused	EN10		Principles 8, 9	2.4.	Environment – Environmental Performance of the Company in 2013 – Water Consumption and Wastewater Discharge; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	60, 116					+
<i>In 2013, the percentage of water recycled and reused was about 45%.</i>											

## ASPECT: BIODIVERSITY

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EN11	E5	Principle 8		Environment – Environmental Performance of the Company in 2013 – Operations in Protected and Environmentally Vulnerable Areas	55					+
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*The Company conducts geological exploration on the continental shelf in the Sea of Okhotsk, the Kara Sea, and the Barents Sea. The Company carries out oil production, preparation and transportation within wildlife reserves and wetlands in Krasnoyarsk Territory; within the wetland Verkhnee Dvuobye in Khanty-Mansi Autonomous Area; within or close to protected areas in Samara Region, including I. Strygin Zhigulyovsky State Nature Reserve; in Krymsky State Zoological Sanctuary in Krasnodar Territory. Furthermore, the Company carries out oil and gas production, preparation and transportation operations within areas of traditional nature use of minority indigenous peoples of the North; it has retail outlets for petroleum products within a number of protected areas, including Utrish State Nature Reserve, Losiny Ostrov National Park, Tunkinsky National Park, Pribaikalsky National Park, Baikalsky Nature Reserve, and Samarskaya Luka National Park. The Company carries out operations in these areas in full compliance with legal requirements and uses more stringent environmental performance standards.*

Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EN12	E5			Environment – Environmental Performance of the Company in 2013 – Operations in Protected and Environmentally Vulnerable Areas	55					+
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*The Company's operations in protected areas lead to adverse impacts on flora and fauna due to environmental pollution, transformation of habitats of certain species, and other impacts. The Company's activities do not lead to irreversible impacts on biodiversity. It is impossible to identify individual affected species.*

Strategies, current actions, and future plans for managing impacts on biodiversity	EN14	E5			Innovation Development – The Arctic Research and Design Center; Environment – Environmental Performance of the Company in 2013 – Operations in Protected and Environmentally Vulnerable Areas Environment – Engagement with Non-Governmental Organizations on Environmental Matters	47–48, 54–55					+
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Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	OG4	E5	Principle 7		Environment – Environmental Performance of the Company in 2013 – Operations in Protected and Environmentally Vulnerable Areas	55					+
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*The percentage of significant operational sites, for which biodiversity risk had been assessed, in 2013 was 31%.*

## ASPECT: EMISSIONS, EFFLUENTS, AND WASTE

Total direct and indirect greenhouse gas emissions by weight	EN16	E1	Principle 8	2.5.	Environment – Environmental Performance of the Company in 2013 – Greenhouse Gas Emissions	58					–
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*The Company plans to disclosure data about its greenhouse gas emissions after the approval of a Russian national GHG inventory methodology, which is planned for 2015. Additional information is available in section Environment – Environmental Performance of the Company in 2013 – Greenhouse Gas Emissions, p. 58.*

Other relevant indirect greenhouse gas emissions by weight	EN17	E1			Environment – Environmental Performance of the Company in 2013 – Greenhouse Gas Emissions	58					–
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*The Company plans to disclosure data about its greenhouse gas emissions after the approval of a Russian national GHG inventory methodology, which is planned for 2015. Additional information is available in section Environment – Environmental Performance of the Company in 2013 – Greenhouse Gas Emissions, p. 58.*





## ASPECT: EMPLOYMENT

Total workforce by employment type, employment contract, and region, broken down by gender	LA1	SE15	3.1.1.	Key Sustainability Performance Indicators; Personnel – Development of the HR Management System; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	11, 76–77, 117	+
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*Almost all Company personnel (about 99.7%) are full-time staff employed under a permanent job contract. The absolute majority of employees work in the Russian Federation.<sup>62</sup>*

Total number and rate of employee turnover by age group, gender, and region	LA2	SE15	Principle 6	3.1.2. Key Sustainability Performance Indicators; 3.1.3. Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	11, 117	±
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*At present, the Company does not collect information on employee turnover by age and gender. It is planned to start collecting such information after the introduction of a unified automated HR management system covering all subsidiaries within the centralized business-planning boundary. Such a system is planned to be deployed not earlier than in 2020.*

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	LA3			Personnel – HR Management Performance of the Company in 2013 – Collective Bargaining Agreement and the Standardization of Benefits Available to Employees	92–93	+
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*99.7% of the Company staff are full-time employees*

Return to work and retention rates after parental leave, by gender	LA15					–
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*Given the specifics of the national legislation, which prohibits dismissal of a person during parental leave, the Company explores possible approaches towards measuring this indicator. At present, this indicator is not deemed material.*

## ASPECT: LABOR/MANAGEMENT RELATIONS

Percentage of employees covered by collective bargaining agreements	LA4	SE16, SE8	3.1.4.	Personnel – HR Management Performance of the Company in 2013 – Collective Bargaining Agreement and the Standardization of Benefits Available to Employees	92	+
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Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	LA5	SE16	Principle 3			+
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*The minimum notice period is defined in accordance with the RF Labor Code (at least two months).*

## ASPECT: OCCUPATIONAL HEALTH AND SAFETY

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	LA7	HS3	3.1.5. Key Sustainability Performance Indicators; 3.1.6. Industrial Safety and Occupational Health – The Company's Industrial Safety and OHS Performance in 2013 – Workplace safety; 3.1.7. Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011–2012	9, 69–70, 116	±
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*At present, the Company does not collect information necessary for calculating the absenteeism rate. It is planned to start collecting such information not later than in 2016.*

<sup>62</sup> With OJSC Udmurtneft and its subsidiaries taken into account, in 2013 the percentage of full-time staff employed under a permanent job contract was 99.7% (OJSC Udmurtneft and its subsidiaries – 99.9%).

Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	LA8	HS2		Personnel – HR Management Performance of the Company in 2013 – Supporting Personnel Health	90–91	+
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Workforce participation in health and safety dialogues		HS1		Industrial Safety and Occupational Health – The Company's Industrial Safety and OHS Performance in 2013 – Workplace Safety	69–70	+
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## ASPECT: TRAINING AND EDUCATION

Average hours of training per year per employee by gender, and by employee category	LA10	SE17	3.1.10.	Personnel – HR Management Performance of the Company in 2013 – Personnel Development and Training System	82–84	+
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*The Report provides data on the number of employees who received training in the reporting period. The Company does not collect data on hours (days) of training per year per employee, but plans to begin collecting such data not later than in 2016.*

## ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	LA13	SE15	Principles 1, 6	3.1.12. Key Sustainability Performance Indicators	11	+
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*At the end of 2013, 100% of members of Rosneft's Board of Directors were men older than 50; the percentage of women among senior executives was 19%, of men – 81%.*

*At present, the Company does not collect data on the breakdown of senior executives by age, but plans to begin collecting such data not later than in 2016.*

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	LA14	SE15	Principles 1, 6			+
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*There is no difference between basic salaries of men and women for all employee categories.*

## Human Rights Performance Indicators

Management approach						+
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*In its activities, Rosneft adheres to such principles as: observance of human rights; transparency in relations with suppliers, contractors, and other business partners; and a socially responsible approach to the restructuring of the business of the Company, its subsidiaries and dependent companies. To ensure the observance of the rights of indigenous peoples of the North, the Company engages with local associations of indigenous peoples in Khanty-Mansi and Yamalo-Nenets Autonomous Areas, Krasnoyarsk Territory, and Sakhalin Region.*

## ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	HR1	SE8	Principles 1–6			–
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*In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to the nature of the Company's activities and the existing Russian legislation, there is no significant risk of human rights violation within the framework of investment agreements. Furthermore, in the process of defining report content this issue has not been found material.*

Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	HR2	SE9	Principles 1-6	-
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*In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to the nature of the Company's activities and the existing Russian legislation, there is no significant risk of human rights violation by suppliers and contractors. In addition, in the process of defining report content this issue has not been found material.*

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	HR3	SE8		+
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*Aspects of human rights are covered by existing training programs for HR and OHS specialists, representatives of legal department etc. The Company explores possible approaches towards measuring this indicator and plans to start collecting data for it by 2015.*

#### ASPECT: NON-DISCRIMINATION

Total number of incidents of discrimination and corrective actions taken	HR4	SE8 SE18	Principles 1, 2, 6	3.2.2.	+
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*In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. In 2013, no incidents involving human rights violation and/or employee discrimination took place at the Company.*

#### ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	HR5	SE8 SE9	Principles 1, 2, 3		+
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*In its activities, the Company adheres to the legal requirements with regard to freedom of association and collective bargaining.*

Labor disputes		SOC-6		3.2.1.	+
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*In its activities, the Company adheres to the requirements of the labor legislation. The Company seeks to resolve all labor disputes by means of negotiations.*

#### ASPECT: CHILD LABOUR

Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	HR6	SE8 SE9	Principles 1, 2, 5		+
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*The Company does not carry out any activities involving the risk of child labor.*

#### ASPECT: FORCED AND COMPULSORY LABOR

Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	HR7	SE8	Principles 1, 2, 4		+
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*The Company does not carry out any activities involving the risk of forced or compulsory labor.*

#### ASPECT: INDIGENOUS RIGHTS

Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	SE2	Principles 1, 2	3.2.3.	+
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*In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. In 2013, there were no incidents involving violation of rights of indigenous peoples by the Company.*

Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	OG9	SE2	Principle 1	Society – The Company's Social Performance in 2013 – Supporting Minority Indigenous Peoples of the North	101-102	+
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*In some regions, the Company carries out oil and gas production operations in the areas where indigenous communities are present. In all such regions, the Company has programs for engagement with and providing support to such communities.*

#### ASPECT: ASSESSMENT

Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	HR10					+
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*Due to the nature of the Company's activities and the existing Russian legislation, there is no significant risk of human rights violation by the Company's operations. Assessment procedures for transactions completed in 2013 did not include human rights aspects.*

#### ASPECT: REMEDIATION

Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	HR11					+
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*In 2013, no grievances related to human rights violations were filed using procedures and mechanisms in place at the Company.*

#### Society Performance Indicators

Management approach				Society	96	+
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#### ASPECT: LOCAL COMMUNITIES

Percentage of operations with implemented local community engagement, impact assessments, and development programs	SO1	SE1		3.3.3.	Society	96-98	+
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*The Company implements programs for local community engagement, community impact assessment and management in the key regions of operation, in particular, when planning new projects. Such programs affect the absolute majority of the Company's operations.*

Collaboration with government authorities in addressing socially significant objectives				3.3.1.	Society	96-97, 99	+
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Social investment		SE4			Key Sustainability Performance Indicators; Society; Annex 3. Key Sustainability Performance Indicators of TNK-BP in 2011-2012	11, 96-98, 117	+
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Operations with significant potential or actual negative impacts on local communities	SO9	SE1			+
<i>Relocation of the Company's employees and contractors in the context of the implementation of new projects can have an adverse impact on local communities. Other adverse factors may include environmental impacts and threats to the safety of the Company's facilities.</i>					
Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	SO10	SE1	Society	96, 101, 69–70, 50–51	+
<i>The Company takes action to prevent adverse effects of employee relocation on local communities and implements measures to mitigate environmental impacts and enhance the safety of its facilities.</i>					
Number and description of significant disputes with local communities and indigenous peoples	OG10	SE1, SE3			+
<i>No significant disputes with local communities and indigenous peoples took place in 2013.</i>					
Number of sites that have been decommissioned and sites that are in the process of being decommissioned	OG11				±
<i>The Company takes action to maintain production at the existing fields and supports reserve replacement and continuing employment of its staff by means of active additional exploration at the existing fields and exploration of new fields in its regions of operation. At the end of 2013, the ratio of operational well clusters planned to be decommissioned within 5 years to the total number of operational well clusters was less than 1%. Due to the scale of the Company's operations, at present it is impossible to provide similar information for other areas of its business. The Company explores possible approaches towards measuring and disclosing this indicator and plans to start disclosing it by 2016.</i>					
<b>ASPECT: CORRUPTION</b>					
Percentage and total number of business units analyzed for risks related to corruption	SO2	SE11, SE12			–
<i>Preventing corruption is one of the components of the Code of Business Ethics adopted by the Company. The Company adopted the Policy for Preventing Involvement in Corruption and the Policy for Counteracting Corporate Fraud. To support the implementation of these documents, the Company develops an Integrated Fraud and Corruption Prevention Program for 2013–2014. The data on the exact number of subsidiaries analyzed for risks related to corruption are confidential to the Company.</i>					
Percentage of employees trained in organization's anti-corruption policies and procedures	SO3	SE11			–
<i>The Company conducts such trainings for specialists of the security services and economic security departments of the Company's subsidiaries. The data on the exact percentage of employees trained in anti-corruption policies and procedures are confidential to the Company.</i>					
Actions taken in response to incidents of corruption	SO4	SE11, SE12	Sustainability Management – Development of the Compliance System	31–33	
<i>Corporate departments with responsibilities in the field of preventing corruption include, among others, the Security Service and the Internal Audit and Control Service of the Company.</i>					

#### ASPECT: PUBLIC POLICY

Public policy positions and participation in public policy development and lobbying	SO5	SE14	3.3.4.		+
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*In 2013, as a result of the Company's active engagement with government authorities, the following decisions were made:*

- Pursuant to a request of the Chairman of the Russian Government, on September 29, 2013, the Board of Directors of Rosneft decided to buy out ordinary and preferred shares of a Rosneft subsidiary – OJSC RN holding (formerly OJSC TNK-BP Holding).
- Pursuant to an order of the Russian Government, the Company was granted, without tenders and auctions, 15 licenses for the geological studies, exploration, and production of hydrocarbon resources within subsurface blocks of federal significance on the shelf of the Pechora Sea, the Laptev Sea, the Chukchi Sea, the Barents Sea, and the East Siberian Sea.
- Pursuant to an order of the Russian Government, the Company received, through an auction, two licenses for the geological studies, exploration, and production of hydrocarbon resources within subsurface blocks of federal significance on the shelf of the Sea of Okhotsk.
- On July 23, 2013, the federal law No. 213-FZ "On amendments to Chapters 25 and 26 of the second part of the Tax Code of the RF and article 3.1 of the federal law "On customs duties" was adopted. The new law provides benefits and guarantees of stability for projects for the development of tight oil reserves. The total amount of explored recoverable reserves of tight oil in the Company's regions of production is over 1.4 bn, which constitutes 70% of all Rosneft's proven reserves. The new law makes economically sound development of these resources possible.
- In 2013, a project for fuel supply to airfields of the Russian Ministry of Defense was started with Rosneft selected as the sole supplier. See also Rosneft Annual Report 2013 (Appendix 2: Main Factors of Risk with regard to legal risks, p. 188).

#### ASPECT: ANTI-COMPETITIVE BEHAVIOR

Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	SO7				+
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*The Company takes all necessary measures to reduce risks of non-compliance with the antimonopoly legislation, continually monitoring market prices, making active use of market mechanisms when selling petroleum products, and complying with other recommendations of antimonopoly authorities aimed at maintaining economically justified prices for petroleum products. In 2013, there were 12 disputes involving alleged violations of antimonopoly legislation by Rosneft subsidiaries with rulings entering into force in the reporting period. The disputes included: 3 disputes involving LLC RN-Vostroknepetroprodukt, 1 dispute – OJSC Rosneft-Kubannefteprodukt, 1 dispute – OJSC Rosneft-Artag, 4 disputes – LLC RN-Krasnoyarsknefteprodukt, 3 disputes – LLC RN-Yaroslavl. Of those disputes, Rosneft subsidiaries won 10 and lost 2 (Rosneft-Kubannefteprodukt and OJSC Rosneft-Artag).*

#### ASPECT: COMPLIANCE

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	SO8				+
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*In 2013, there were 12 disputes involving alleged violations of antimonopoly legislation by Rosneft subsidiaries with rulings entering into force in the reporting period. The total value of the disputes was some RUB 144.5 mln; the value of the disputes won was around RUB 144.1 mln, whereas the value of the disputes lost was around RUB 0.4 mln.*

#### ASPECT: INVOLUNTARY RESETTLEMENT

Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	OG12	SE3			+
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*No involuntary resettlement associated with the Company's activities took place in 2013.*

#### ASPECT: ASSET INTEGRITY AND PROCESS SAFETY

Number of process safety events, by business activity	OG13	H55	Industrial Safety and Occupational Health	67–68, 71–72, 73–75	±
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*In 2013, there were three accidents associated with loss of containment (at the Komsomolsk Refinery, the Otradnoye Gas Processing Plant, and the Syzran Refinery) and two well blowouts (Samotlorneftegaz and RN-Krasnodarneftegaz) categorized as accidents. There were no accidents with environmental consequences in the reporting period. The Company does not register loss of containment events according to the methodology implied by this indicator. Instead, it follows the corporate methodology and requirements of the Russian legislation.*

## Product Responsibility Performance Indicators

Management approach +

See Rosneft Sustainability Report 2011 (section Stakeholder Engagement).

### ASPECT: CUSTOMER HEALTH AND SAFETY

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures PR1 HS4 +

There are special regulatory requirements regarding the safety of petroleum products, and the Company considers these requirements in designing its products.

### ASPECT: PRODUCT AND SERVICE LABELING

Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements PR3 HS4 3.4.1. +

The Company provides information regarding compliance of its petroleum products with safety standards and safe handling of the products in accordance with the respective legislation.

### ASPECT: MARKETING COMMUNICATIONS

Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship PR6 -

Marketing communications have not been identified as a material topic in the process of defining report content.

### ASPECT: COMPLIANCE

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services PR9 +

No significant fines for noncompliance with laws and regulations concerning the provision and use of products and services, information about them, marketing communications, and advertising were imposed on the Company in 2013.

### ASPECT: FOSSIL FUEL SUBSTITUTES

Volume of biofuels produced and purchased meeting sustainability criteria OG14 E3 Principle 8 +

At present, the Company does not produce biofuels.

## Disclosure status of GRI indicators

- + Fully disclosed
- ± Partially disclosed
- Not disclosed

## ANNEX 5. LIST OF ABBREVIATIONS

The terms Rosneft Oil Company, Rosneft, the Company used in this Report mean either OJSC Rosneft Oil Company or OJSC Rosneft Oil Company with its subsidiaries and dependent companies, depending on context.

The terms TNK-BP, TNK-BP Company used in this Report mean TNK-BP Group.

The data provided in Rosneft Sustainability Report 2013 are as of December 31, 2013, unless stated otherwise.

GRI Guidelines – Sustainability Reporting Guidelines (version 3.1) developed by the international organization Global Reporting Initiative.

<b>AA</b>	Autonomous Area	<b>RBICS</b>	risk-based internal control system
<b>APC</b>	Angarsk Petrochemical Company	<b>RF</b>	Russian Federation
<b>APG</b>	associated petroleum gas	<b>RNCS</b>	Russian Nature Conservation Society
<b>API</b>	American Petroleum Institute	<b>RUIE</b>	Russian Union of Industrialists and Entrepreneurs
<b>CJSC</b>	Closed Joint-Stock Company	<b>SDCs</b>	subsidiaries and dependent companies
<b>EIA</b>	Environmental Impact Assessment	<b>HSE</b>	health, safety, and environment
<b>EMS</b>	Environmental Management System	<b>UGSS</b>	United Gas Supply System
<b>EPC</b>	Eastern Petrochemical Company	<b>UN</b>	United Nations
<b>EPMS</b>	Employee Performance Management System	<b>UNEP</b>	United Nations Environment Programme
<b>GHG</b>	greenhouse gases	<b>UNEP/COM</b>	Non-Profit Partnership "Russian National Committee for the United Nations Environment Programme"
<b>GRI</b>	Global Reporting Initiative	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>GTL</b>	Gas to Liquids, a process to convert natural gas into liquid hydrocarbon products	<b>UNGC</b>	UN Global Compact
<b>HR</b>	human resources	<b>VMI</b>	voluntary medical insurance
<b>IPIECA</b>	International Petroleum Industry Environmental Conservation Association	<b>VOC</b>	volatile organic compound
<b>IHSEMS</b>	Integrated Health, Safety, and Environmental Management System		
<b>KPI</b>	key performance indicator		
<b>LLC</b>	Limited Liability Company	<b>bn</b>	billion
<b>MIPT</b>	Moscow Institute of Physics and Technology	<b>bscm</b>	billion standard cubic meters
<b>N/A</b>	not available	<b>ha</b>	hectare
<b>NPV</b>	net present value	<b>mln</b>	million
<b>NTS</b>	New Technology System	<b>mcm</b>	million cubic meters
<b>OHS</b>	occupational health and safety	<b>mscm</b>	million standard cubic meters
<b>OJSC</b>	Open Joint-Stock Company	<b>mmt</b>	million metric tons
<b>R&amp;D</b>	research and development	<b>tce</b>	tonnes of coal equivalent

# CONTACT DETAILS

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### Feedback

For any questions related to our Company's Sustainability Report, please contact the Social Development and Corporate Culture Department.

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