



RISK MANAGEMENT

Gazprom Neft has a Risk Management Policy in place, which sets out the objectives and principles of risk management to enhance stability of the Company's operations in the short and long term.

Our risk management strategy seeks to improve managerial decision making by analysing the related risks, and to maximise the effectiveness of the management initiatives when these decisions are brought to life.

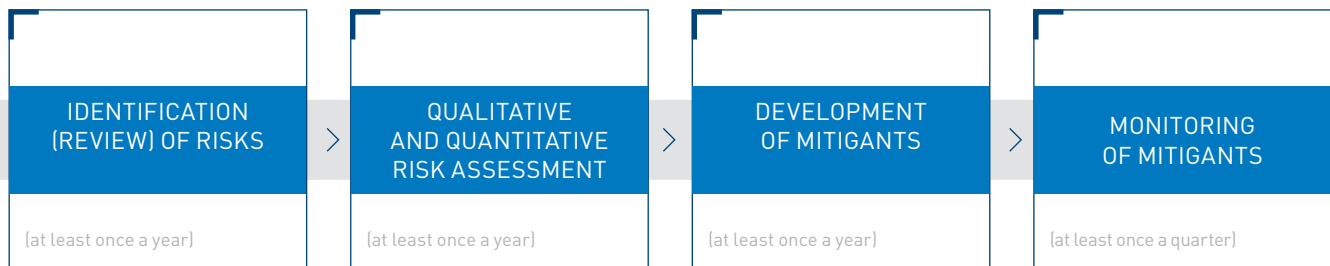
To this end, the Company has a unified approach to the risk management process. Along with uniform analysis and risk management tools, it forms an integrated risk management framework (IRMF).

As part of this framework, risk management tools are integrated into all key corporate processes. Responsibility for risk management and reporting is determined by the linear and functional management framework. For each risk, an owner responsible for managing it is assigned. Each function and key business process has a risk coordinator among the management staff. They are responsible for promoting and supporting the application of corporate risk management

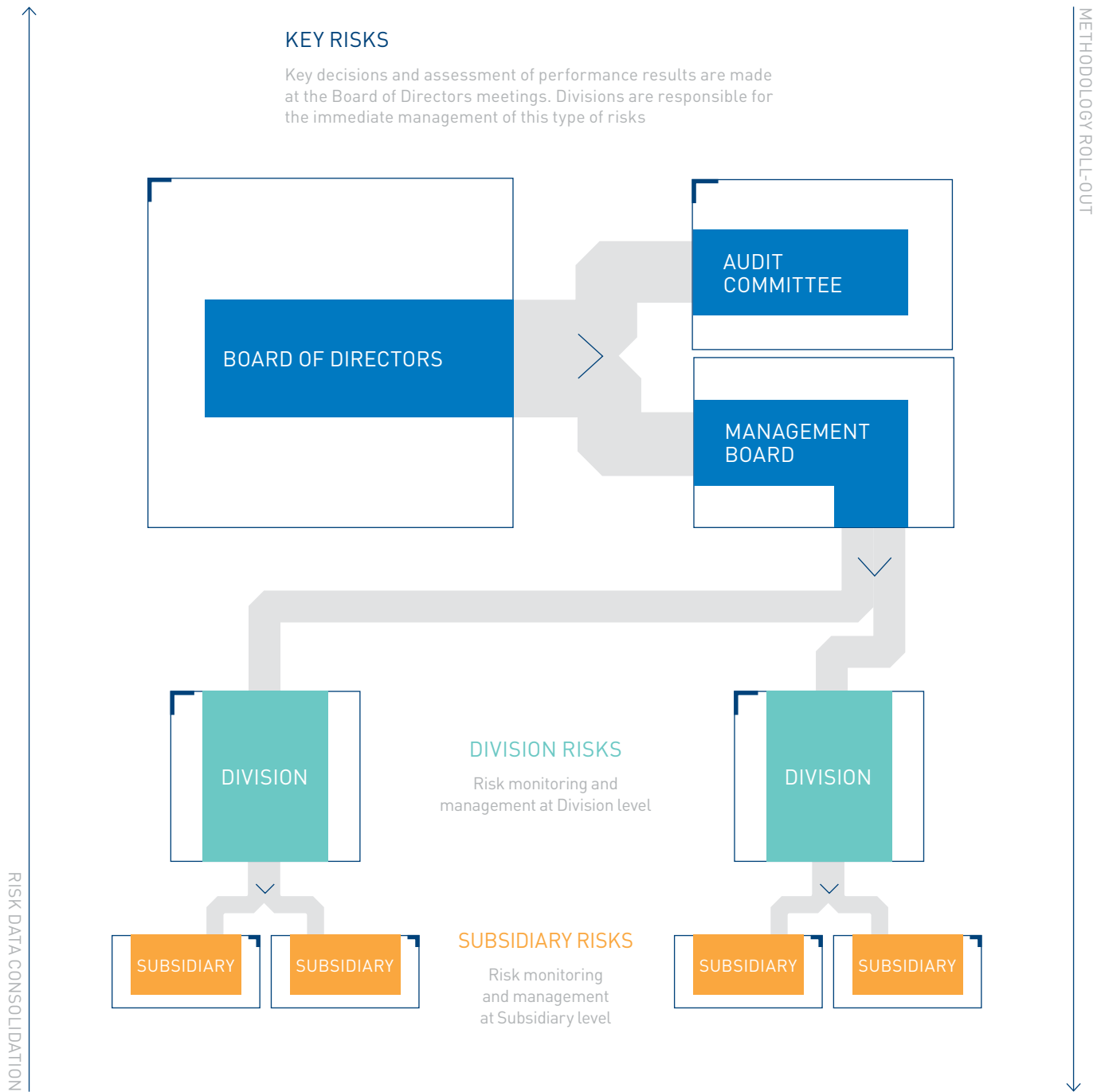
principles. The timing and objectives for risk analysis depend on the particular circumstances and requirements of each business process with respect to which risk management is implemented.

This approach helps define areas of responsibility for risk management and monitor risks at all management levels across the Company. It also allows Gazprom Neft to develop target plans to respond to material risks for each subsidiary and the Company at large.

IRMF process at the Gazprom Neft Group



Distribution of powers and responsibilities in risk management



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Social and environmental risk management ¹

Risk description

Risk mitigants

1.1. HR risks

Highly qualified personnel is key to effective operation of the Company's business. A lack of qualified employees, especially engineering and technology experts, can result in risks associated with personnel shortages. The Company's success largely depends on the efforts and expertise of key employees, including qualified engineering staff, and on its ability to attract and retain such personnel. Competition for the best talent in Russia and world-wide may intensify due to the shortage of qualified specialists in the labour market. Failure to attract qualified employees and/or retain the existing talent pool could have an adverse effect on the Company's reputation as an employer. Demand for qualified personnel and the associated costs are expected to grow further given the significant need for such employees in other industries.

The Company offers a safe workplace environment, competitive salaries, and professional training programmes to its personnel. We work continuously to improve our recruitment procedures, limit staff turnover, and provide self-development opportunities for our employees.

1.2. HSE risks

Risks associated with occupational industrial, fire and environmental safety legislation that may entail a temporary shutdown of facilities and licence revocation, along with the risks of accidents (fatalities and workplace injuries, fires/explosions/accidents, accidents with environmental consequences of nationwide scale).

In the field of industrial safety, the Company strives to achieve the strategic Goal Zero: no harm to people, environment and property in working process. The main focus areas reflected in the corporate HSE Policy Statement include:

- > safe production based on risk analysis, mitigation and management;
- > reduction of workplace injury and occupational disease rates, accident hazards and environmental impact;
- > consistent implementation of best global HSE practices.

The risk-based approach and the principle of integrating HSE risks into all key business processes of the Company underlie the occupational risk management ideology.

As part of the implementation of a risk-based approach, the Company focuses on the following parameters.

- > **Fundamental barrier**
Setting obstacles for priority risks across the Company's assets and ensuring their reliability.
- > **Competency barrier**
Granting access to processes to competent employees only
- > **Digital barrier management**
Eliminating the human factor where possible.

The Company is fully aware of its responsibility to preserve the environment. We keep monitoring our activities for compliance with relevant environmental requirements and run environmental protection programmes.

¹ Other key risks are described in the Internal Control and Risk Management section of the Company's Annual Report for 2018.