

# CONTRACTOR MANAGEMENT RESPONSIBILITY

Compliance with corporate safety standards is a key criterion in selecting Gazprom Neft's contractors. Interaction with contractors is determined by the corporate standard Procedure for Management and Organisation of Interaction with Contractors on HSE Issues, which was updated in 2017 and sets out Gazprom Neft's requirements applicable to contractors during their selection, management and performance assessment.

Contractors' obligation to comply with legislative and corporate HSE requirements is formalised in contracts. Ensuring conformity with the requirements is far from being the only focus area in the Company's contractor relations policies. Gazprom Neft builds partnerships and seeks to create an environment that would promote workplace safety and encourage suppliers to cooperate with the Company on a long-term basis.

With this in mind, the Company runs a corporate contractor engagement programme called Steps, which embraces every stage of supplier relationships, from selection to the assignment of final ratings, and a new initiative called the Contract Performance Management System.

## Steps programme

### 1. Review and selection of candidates, drafting and signing of contracts

At this preparatory stage, the contractor should assess its resources required to ensure health and safety, and make a binding commitment on its responsibility and ability to meet legislative and corporate HSE requirements.

The Company's long-term goal in this area is to make a clear but rigorous screening of contractors and to ensure transparency of the resources planned to deliver the required level of health and safety.

### 2. Work delivery. Contractor performance management

During his stage, the contractor is engaged, contract performance is monitored, and equipment, machinery and employee qualifications are checked. At this stage, Gazprom Neft's long-term goal is to ensure that no contractors are allowed to start working until they meet the requirements under the contract.

The Company is developing various tools to control the contractors' activities. Along with the Contract Performance Management System and Owners of Contracts With Contractors in place, subsidiaries arrange mobilisation audits for contractors.

### 3. Contract closure and final rating

At this stage, the Company evaluates contractors' performance. Assigning ratings helps to compare contractors and take a proactive approach in dealing with those who fail to show improvements. The long-term goal in this area is to integrate performance indicators, including those associated with HSE, into the corporate information system, ensure transparency and bonus payments for contractors' staff based on positive results of their performance.

Steps is a set of comprehensive initiatives designed to improve safety culture, motivation and training of contractors' staff as well as enhance their social and working conditions.

Contractors are included in the corporate HSE training system. A dedicated programme has been developed which is mandatory for managers to manage operations at Gazprom Neft's facilities. Contractors' representatives take part in training courses and video briefings, and actively participate in the School of HSE Supervisors. The main goal of the School is for supervisors to start proactive work set to develop a culture of safe behaviour. In 2018, the training in the Upstream Division covered over 1,000 supervisors, with contractors' staff accounting for 70%.

Gazprom Neft organises dedicated forums, sessions and meetings with contractors on a regular basis to share experience and improve performance. They are attended by senior executives of the Company and its Divisions, function leaders and heads of facilities. Forums and sessions empower the Company to deliver on its strategic objective of liaising with contractors, i.e. building partnerships, encouraging the proactive position of contractors, and involving them in HSE improvement.

“The first step towards creating an integrated team is close cooperation with contractors, which is important for all production assets of the Company. Involvement of contractors' engineering and technical employees not only in the construction process, but also in the discussion and development of joint approaches and initiatives designed to improve the production culture, is already starting to reduce the number of violations.”

Maksim Ovsyannikov  
Head of Capital Construction Programmes of the Oil and Gas Production Department

## Contract Performance Management system

The Upstream Division employs the Contract Performance Management System, which is a new model for monitoring contractors' fulfilment of contractual obligations related to the workplace safety. Performance of obligations is monitored by the dedicated teams of the customer's and contractor's representatives who control the compliance with safety requirements, solve arising issues and ensure transparency on the site. This model facilitates ongoing and quick cooperation between the Company and the contractor. It shifts focus from the violations of requirements

to act proactively, and eliminates the risk of biased attitude towards contractors. Joint teams contribute to more transparent and structured communication in performing contractual obligations.

The introduction of Steps and the Contracts Performance Management System helps prevent and mitigate possible risks during the contract performance management. The two programmes enable Gazprom Neft to take another step towards building a partnership model of interaction with contractors.

## Contractor safety

Introduction of the Etalon OMS by Gazprom Neft's Upstream Division started with component 6 (Supplier and Contractor Management) since contractors do most of the upstream work, including well drilling, construction, repairs, prospecting surveys, power supply, and logistics. New developments might involve up to several thousands of contractor employees, so the key task is to ensure contractor safety on the site with no compromise on

performance. Experience shows that the mere inclusion of safety provisions into the agreement does not guarantee that they will be met by contractors. It was decided to set up joint customer and contractor teams to monitor how they meet contractual obligations. These teams control the compliance with safety requirements, solve arising issues and make the on-site conditions transparent.