



ROSNEFT

**ROSNEFT
SUSTAINABILITY
REPORT
2014**



TABLE OF CONTENTS

Message from the President and the Chairman of the Management Board	4	Environmental Safety	58
Key Sustainability Performance Indicators	6	Development of the Environmental Management System.....	58
About this Report	11	Company's Environmental Performance in 2014	66
Reporting Principles.....	13	Energy Consumption and Energy Efficiency.....	76
Reporting Boundaries.....	13	Personnel	78
Company Performance	14	Development of the HR Management System.....	78
The Company in 2014: General Information	16	Company's HR Management Performance in 2014	80
Rosneft 2030 Development Strategy.....	18	Society	100
Development of International Projects in Promising Oil and Gas Regions	20	Development of the Social Impact Management System.....	100
Expansion of International Cooperation for Offshore Projects Development	21	Company's Social Performance in 2014	101
Operating on the Russian Shelf	21	Independent Assurance Report on the Sustainability Report 2014	110
Import Substitution and Localization	27	Annex 1	
Corporate Governance System	28	Achievement of the Objectives for 2014 Set in the Sustainability Report 2013; Goals and Objectives for 2015–2018	112
Shareholder Relations.....	30	Achievement of the Objectives for 2014 Set in the Sustainability Report 2013	112
Investor Relations	32	Goals and Objectives for 2015–2018	115
Sustainability Management	33	Annex 2	
Sustainability Policy.....	33	Environmental Performance Targets through 2018 and Results of 2014	117
Development of the Compliance System	34	Company's Targets in the Area of Land Protection and Remediation as well as Waste Treatment	117
Risk Management and Internal Control	36	Air Emissions Targets	117
Risk Management.....	36	Water Management Targets	118
Internal Control	39	Annex 3	
Stakeholder Engagement	40	Key Sustainability Performance Indicators for Acquired Assets	119
Public Hearings on the Results of the Environmental Impact Assessment of Planned Activities	40	Acquired assets of Weatherford Group in Russia and Orenburg Drilling Company LLC	119
Roundtable meetings in the Key Regions of Operation.....	41	Acquired assets of Itera Group.....	119
Innovation Development	44	Annex 4	
Cooperation with Leading Universities and International Cooperation	46	Correspondence between this Report and GRI Sustainability Reporting Guidelines	120
Improvement of Sectoral Innovation Management Standards.....	47	Annex 5	
Process Streamlining and Improvement	47	List of Abbreviations	140
Occupational Health and Safety	48		
Development of the Occupational Health and Safety Management System	48		
Company's Occupational Health and Safety Performance in 2014.....	51		



MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN OF THE MANAGEMENT BOARD



Despite the volatile macroeconomic and socio-political climate, Rosneft recorded high operational and financial performance results in 2014. Today, Rosneft can rightly be called a global energy player, with a balanced project portfolio and a clear vision for the Company's development.

Offshore projects, the development of the domestic market, particularly in Eastern Siberia and in the Far East, and exports diversification with focus on the rapidly developing markets of the Asia-Pacific Region, as well as enhancing the Company's own resources to improve business performance and reduce dependence on contracting parties abroad, including those in the oilfield services industry, remain key priorities for Rosneft. The discovery of the new Victory oil and gas field on the Kara Sea shelf resulting from drilling at the northernmost Arctic well Universitetskaya-1 was a significant achievement for the company.

Rosneft aims to become the global technology leader in the energy industry and is consistently implementing its innovative development program, including the introduction of new technologies and the upgrading of existing production processes. Total funding for this innovation program was over RUB 170 bn in 2014; this included RUB 33.2 bn for research and development, up 43% versus 2013.

Considering human life and health being the first priority, Rosneft recognizes its responsibility to ensure incident-free operations, safe working conditions for company staff and contractors, and avoidance of harm to people's health in those regions where the company operates. In 2014, over 41 thousand occupational health and safety checks were carried out in Rosneft subsidiary companies; funding for the company's health and safety initiatives increased by 33% from 2013.

One of the Company's strategic goals is to become a recognized leader with

regard to environmental safety amongst the world's leading oil and gas players by 2030. Rosneft works to reduce its negative environmental impacts through implementation of a number of corporate targeted programs. As a result of the Investment Gas Program in 2014, associated gas utilization rate increased by 11 percentage points, reaching 80.8%; this allowed for significantly reducing pollutant and greenhouse gas emissions.

A high world-class level of corporate governance, information transparency and compliance with regulations and standards that are in line with state, market and public requirements, remain a key priority for the Company. In 2014, Rosneft was awarded a high rating in the corporate reporting transparency rankings for the largest international companies, conducted by Transparency International for the largest publicly traded companies. Rosneft is committed to internationally recognized principles and sustainability priorities, including those stipulated in the UN Global Compact.

CONSIDERING HUMAN LIFE AND HEALTH BEING THE FIRST PRIORITY, ROSNEFT RECOGNIZES ITS RESPONSIBILITY TO ENSURE INCIDENT-FREE OPERATIONS, SAFE WORKING CONDITIONS FOR COMPANY STAFF AND CONTRACTORS, AND AVOIDANCE OF HARM TO PEOPLE'S HEALTH IN THOSE REGIONS WHERE THE COMPANY OPERATES.

ONE OF THE COMPANY'S STRATEGIC GOALS IS TO BECOME A RECOGNIZED LEADER WITH REGARD TO ENVIRONMENTAL SAFETY AMONGST THE WORLD'S LEADING OIL AND GAS PLAYERS BY 2030.

FROM YEAR TO YEAR, ROSNEFT MAINTAINS ITS POSITION AS ONE OF THE LARGEST EMPLOYERS IN RUSSIA.

By the end of 2014, the number of Rosneft employees reached 243 thousand². The average monthly salary across the company increased by 8% to RUB 65 thousand in 2014; being traditionally higher than the average salary in most of the regions where our subsidiaries operate. Rosneft is aware of its responsibilities as one of the leading companies in Russian economy and continues to work on vital social projects and initiatives in those regions where the Company operates. This type of work efforts contributes both to creating favorable economic, legal and organizational conditions for Rosneft business and to the integrated development of the constituent entities of the Russian Federation regions. Total expenditure on social partnership activities, including regional social investments and charity, reached RUB 29.8 bn in 2014. Rosneft is the largest taxpayer in

the Russian Federation. The 2014 tax payments totaled RUB 3.1 tn, 213 bn of which was transferred into regional budgets.

Rosneft 2030 strategy aims to ensure that the Company achieves a leading position in such business areas as offshore projects, the production of unconventional types of hydrocarbons and the monetization of oil and gas on the global market. I am confident that Rosneft responsible approach to sustainability should enable the Company to reach its goals and objectives.

**Yours sincerely,
Igor Sechin
President and the Chairman
of the Management Board,
Rosneft**



- ¹ Hereinafter data and plans on associated petroleum gas recovery and use relate to Russian assets of the Company.
- ² Hereinafter personnel data are listed according to the Company's centralized business planning boundaries in 2014, unless otherwise stated. By 2014 year end, total workforce including Tomskneft VNK OJSC reached 247 (+4) thousand persons. The headcount for subsidiaries consolidated in accordance with IFRS by 2014 year-end was 248.9 thousand.



KEY SUSTAINABILITY PERFORMANCE INDICATORS

OPERATING AND ECONOMIC PERFORMANCE INDICATORS^{3,4}

Indicator	2012 ⁵	2013	2014
SEC proven oil, gas condensate, and liquid hydrocarbon reserves, mmt	1,999	3,398	3,432
SEC proven gas reserves ⁶ , bscm	753	1,329	1,414
Oil and gas condensate production, mmt	122.0	189.2 ⁷	204.9
Gas production, bscm	16.4	38.2 ⁸	56.7
Hydrocarbon production, mboe	989	1,622	1,864
Oil processing, mmt	61.6	90.1	99.8
Output of petroleum products and petrochemicals, mmt	59.6	87.1	97.1
Assets at the year-end, RUB bn	3,971	7,531	8,736
Total revenues and equity share in profits of joint ventures and associates, RUB bn	3,089	4,694	5,503
Total equity, RUB bn	2,322	3,169	2,881
Current and non-current liabilities, RUB bn	1,649	4,362	5,855
Dividends declared (including minority shareholders), RUB bn	71 ⁹	85	136

GENERATED AND DISTRIBUTED DIRECT ECONOMIC VALUE, RUB BN¹⁰

Indicator	2012	2013	2014
Generated direct economic value			
Revenues	3,102	4,736	6,023
Distributed economic value			
Operating costs	923	1,197	1,390
Employee wages and benefits	94	178	221
Payments to providers of capital	86	57	192
Payments to governments	1,625	2,457 ¹¹	2,968
Community investments	7.6	7.6	8.0
Retained economic value	366	840¹²	1,244

3 According to IFRS, unless stated otherwise.

4 Data for 2013 on assets at the year-end, total equity, as well as current and non-current liabilities were revised following finalization of the allocation of the purchase price for several subsidiaries to fair value of acquired assets and liabilities.

5 Hereinafter data on Rosneft in 2012 excludes TNK-BP. Key sustainability performance indicators for TNK-BP in 2011–2012 were published in Sustainability Report 2013.

6 SEC proven gas reserves in 2013–2014 include only marketable gas.

7 Including TNK-BP assets since the date of its acquisition. Oil and gas condensate production with TNK-BP assets included since January 01, 2013 totaled 206.9 mmt.

8 Including TNK-BP and Itera Group assets since the date of its acquisition. Gas production with TNK-BP assets included since January 01, 2013 totaled 42.1 bscm.

9 Dividends on shares in circulation.

10 Data on generated and distributed direct economic value in 2013 have been revised and restated in accordance with the improved data collection methodology.

11 Taxes payable according to IFRS, with TNK-BP assets included since March 21, 2013.

12 Retained economic value does not sum due to rounding.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL PERFORMANCE INDICATORS^{13,14}

Indicator	2012	2013	2014
Occupational injury rate (injuries per one mln hours worked)	0.155	0.219	0.330
Occupational fatality rate (cases per 100 mln hours worked)	2.02	2.14	3.98
Total air pollutant emissions, thousand tonnes	1,361	1,802	1,619
Specific pollutant emissions in the oil and gas production sector (tonnes per thousand tce) ¹⁵	5.65	4.58	4.03
Specific pollutant emissions in the refining and petrochemical manufacturing (tonnes per thousand tce)	1.5	1.39	1.27
Associated petroleum gas recovery rate, % ¹⁶	53.5	69.8	80.8
Total wastewater discharge to surface water bodies, mcm	59.8	90.8	91.0
Specific wastewater discharge to surface water bodies in the oil and gas production sector (m ³ per tce)	0.00002	0.0001	0.0002
Specific wastewater discharge to surface water bodies in the refining and petrochemical manufacturing (m ³ per tce)	0.8	0.8	0.8
Total number of pipeline ruptures (field oil, gas, and water pipelines)	10,279	10,425	9,450
Spilled oil and petroleum products due to pipeline ruptures, tonnes	1,152	1,015	903
Health, safety, environment, and emergency preparedness training, thousand man-courses	113.3	159.6	210.5 ¹⁷
Expenditures on occupational health and safety, RUB mln	3,943	4,960	6,620 ¹⁸
Expenditures on emergency prevention, fire and radiation safety, RUB mln	4,447	12,222	14,718
Blowout safety expenditures, RUB mln	N/A	811	1,017
Capital environmental expenditures, RUB mln	22,709	36,843	36,930
Operating environmental expenditures, RUB mln	13,794	16,986	21,803
Environmental fines payable, RUB mln	N/A	55	88
Payments to budgets at all levels associated with environmental protection and rational use of natural resources, RUB mln	3,932	3,872	4,134

INNOVATION INDICATORS

Indicator	2012	2013	2014
R&D expenditures, RUB bn	9.9	23.2	33.2

¹³ According to management accounts.

¹⁴ Environmental data for 2012–2013 have been revised and restated in accordance with the improved data collection methodology.

¹⁵ 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.

¹⁶ Hereinafter data and plans on associated petroleum gas recovery and use relate to Russian assets of the Company.

¹⁷ The total duration of health, safety, environment, and emergency preparedness trainings for Company employees conducted in 2014 including Tomskneft VNK OJSC totaled 213.7 (+3.2) thousand man-courses.

¹⁸ Additionally, RUB 11,679 mln was spent in 2014 on corrective actions according to orders of regulatory authorities, bringing hazardous industrial facilities into compliance with industrial safety requirements, technical diagnosis, industrial safety assessments and employees' training.



36930

MILLION RUBLES –
CAPITAL ENVIRONMENTAL
EXPENDITURES IN 2014

21338

MILLION RUBLES –
EXPENDITURES ON
EMERGENCY PREVENTION,
OCCUPATIONAL HEALTH
AND SAFETY, FIRE AND
RADIATION SAFETY

3054

BILLION RUBLES –
TAXES AND CUSTOMS
DUTIES

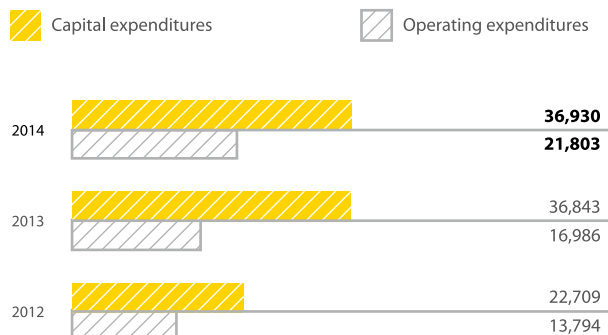
SPECIFIC POLLUTANT EMISSIONS IN THE OIL AND GAS PRODUCTION SECTOR (TONNES PER THOUSAND TCE)



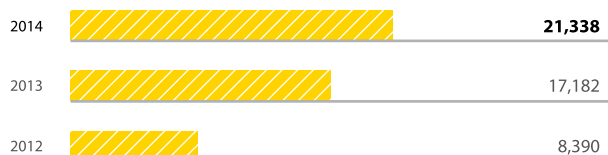
SPECIFIC POLLUTANT EMISSIONS IN THE REFINING AND PETROCHEMICAL MANUFACTURING (TONNES PER THOUSAND TCE)



CAPITAL AND OPERATING ENVIRONMENTAL EXPENDITURES, RUB MLN



EXPENDITURES ON EMERGENCY PREVENTION, OCCUPATIONAL HEALTH AND SAFETY, FIRE AND RADIATION SAFETY, RUB MLN



HR MANAGEMENT INDICATORS¹⁹

Indicator	2012	2013	2014
Headcount at the year-end, thousand persons	169.3	221.9	243.0 ²⁰
Average headcount, thousand persons	164.6	212.6	228.5
Workforce by category at the year-end, %			
Workers	59.7	57.9	57.1
Specialists and administrative staff	28.6	29.8	30.1
Managers	11.7	12.3 ²¹	12.8
Workforce by gender at the year-end, %			
Women	31.9	36.0	34.0
Men	68.1	64.0	66.0
Employee turnover, %	11.7	14.1	17.0 ²²
Average monthly salary in the Company (RUB/ person/ month)	50,667	60,093	64,933
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln	100,071	153,323	178,065
Social payments to employees, RUB mln	7,217	7,379	5,427

SOCIETY PERFORMANCE INDICATORS

Indicator	2012	2013	2014
Tax payments and export duties, RUB mln	1,712,461 ²³	2,720,085 ²⁴	3,053,696
incl. tax payments to the federal budget and customs duties	1,517,600	2,436,696	2,801,062
incl. tax payments to regional budgets	171,440	248,130	213,107
incl. payments to extra-budgetary funds	23,421	35,259	39,526
Expenditures on social programs, including social investments and charity in the regions of operation, RUB mln ²⁵	22,406	29,715	29,766.3
incl. creation of optimal working conditions	6,338	8,511	9,681
incl. implementation of regional cooperation agreements*	2,793	3,685	1,667
incl. charity**	3,422	1,430	2,572.8
incl. other social expenditures	9,853	16,089	15,845.5

*,**Expenditures on internal and external social programs are calculated on the basis of unified methodology and exclude expenses of Udmurtneft OJSC and 50% share of Tomskneft VNK OJSC expenses. Application of the methodology is owing to requirements for compliance with IFRS. Charity expenditures (RUB 2,638 mln) and expenditures incurred under regional cooperation agreements (RUB 1,737 mln) disclosed in Rosneft Annual Report 2014 include expenses related to these affiliated companies.

19 Within the centralized business-planning boundaries unless otherwise stated. Data on average headcount, average monthly salary, salary fund and social fund including 50% of Tomskneft VNK OJSC.

20 Headcount including Tomskneft VNK OJSC totaled 247 (+4) thousand persons. The headcount for subsidiaries consolidated in accordance with IFRS by 2014 year-end was 248.9 thousand.

21 Previously reported data for 2013 have been restated.

22 Employee turnover in 2014 including Tomskneft VNK OJSC is similar (17.0%).

23 According to management accounts (within centralized business-planning boundaries).

24 Including TNK-BP assets since January 01, 2013.

25 According to management accounts (within centralized business-planning boundaries).



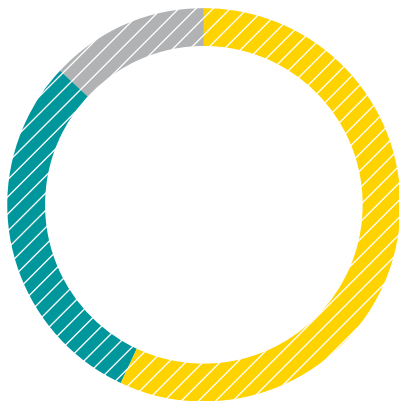
**HEADCOUNT AT THE YEAR-END,
THOUSAND PERSONS**



**AVERAGE MONTHLY SALARY
IN THE COMPANY
[RUB PER EMPLOYEE, PER MONTH]**

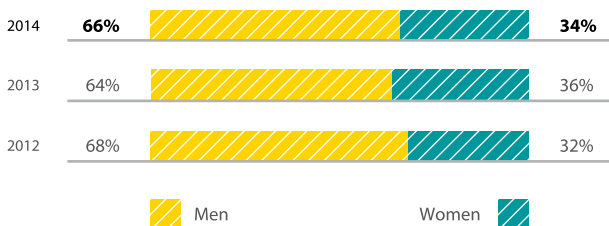


**WORKFORCE BY CATEGORY
IN 2014, %**

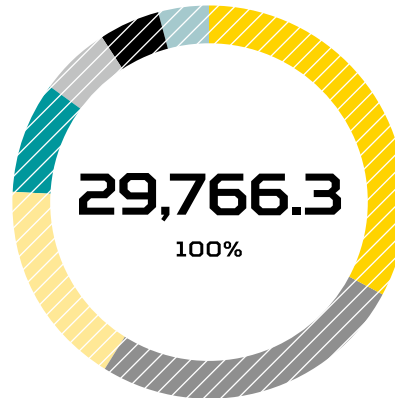


- 57.1% Workers
- 30.1% Specialists and administrative staff
- 12.8% Managers

WORKFORCE BY GENDER, %



**EXPENDITURES ON THE MAIN AREAS
OF SOCIAL PARTNERSHIP IN 2014,
RUB MLN**



- 33% ● 9,681.0 Creating and maintaining optimal labour conditions
- 26% ● 7,888.0 Health protection, promotion of healthy lifestyle, and other social payments
- 17% ● 5,092.5 Occupational pension program
- 9% ● 2,572.8 Charity
- 6% ● 1,667.0 Regional socio-economic development
- 5% ● 1,556.0 Providing housing
- 4% ● 1,309.0 Maintaining social infrastructure

**TAX PAYMENTS AND EXPORT DUTIES,
RUB MLN**



**EXPENDITURES ON SOCIAL PROGRAMS,
RUB MLN**



ABOUT THIS REPORT

ROSNEFT SUSTAINABILITY REPORT 2014 IS THE NINTH REPORT THAT CONTINUES ANNUAL PUBLICATIONS OF NON-FINANCIAL REPORTS OF THE COMPANY.

Rosneft Sustainability Report 2014 (hereinafter – the Report) is the ninth report that continues annual publications of non-financial reports of the Company. Rosneft Sustainability Report 2013 was published in September 2014. All Company's reports are available on the Company's official website: www.rosneft.ru

While preparing the Report, the Company was primarily taking into account interests of stakeholders, including individuals and legal entities that can influence Company's performance or, on the contrary, can be affected by the Company's activities. Amended in the reporting year due to expansion of Company's activities, classification of stakeholders includes the following groups: workers, partners and contractors, international and national business-communities, non-profit organizations, educational institutions, communities and government authorities.

The Company receives feedback following publication of sustainability reports via various channels including roundtable meetings in the regions of operation, messages received via feedback form on the website, e-mails and telephone numbers provided in Contact information section. Received comments and suggestions are taken into account during preparation of the Report.

Rosneft made considerable efforts to define the most relevant sustainability issues for disclosure in the reporting period by evaluating materiality based on the analysis of internal and external environment of the Company. One of the important steps this year was the use of G4 Sustainability Reporting Guidelines (GRI G4 Guidelines) by Global Reporting Initiative as the methodological basis for this process. Evaluation of materiality was conducted both by separate indicators and the aspects outlined in the GRI Guidelines including oil and gas sector disclosures.

Analysis of the Company's internal environment was conducted through review

of Corporate Standards, interviews with Company's key business units' representatives, responsible for sustainable development, as well as through polling of employees that coordinate dissemination of information related to sustainable development.

Analysis of the Company's external environment included overview of reporting on sustainable development by international and Russian oil and gas companies, review of issues highlighted by the media, as well as analyzing opinions of stakeholders expressed in course of roundtable meetings in the regions of operation.

According to the assessment results, a list of material aspects was compiled taking into account principles of completeness, materiality, stakeholder engagement and sustainability context. Issues that were evaluated by internal and external stakeholders at two or three points (out of three points max) as well as issues that received three points from at least one of the groups of stakeholders were listed as material ones and were outlined in the Report. Disclosure of these Company's activity aspects includes information that is not directly related to the issues but that is relevant for a better understanding of Company's activity areas outlined in the Report.

Comparing to the previous reporting period, there were some changes in the level of detail of some issues disclosure. This was driven by expectations of stakeholders revealed during materiality evaluation, improved requirements for non-financial reporting and changed sustainability context the Company operates in. For example, 2014 Report has an increased focus on Company's major impacts on economics, society, and ecology, as well as works on the Arctic shelf and localization of oil and gas equipment production. Several issues that were determined as less significant for the stakeholders according to the materiality evaluation conducted and that were previously fully or partially disclosed in the Reports in order to comply

with GRI Guidelines G3|G3.1 level A, were not included in the Report.

The Report includes description of Company's activity in the following areas: corporate governance, sustainability management, risk management, stakeholder engagement, innovation development, occupational health and industrial safety, environmental performance, human relations management and public relations in the regions of operation.

In some cases in order to avoid duplication of information, the Sustainability Report gives reference to Company's Annual Report 2014 or other documents in the public domain.

In 2014, as part of improvement of information collection system for key areas in sustainable development, the Company completed implementation of unified corporate sustainability data gathering and consolidation system. While preparing and presenting the data, the Company follows GRI G4 Guidelines and IFRS.



MATERIALITY MATRIX

EXTERNAL STAKEHOLDERS EVALUATION	3		<ul style="list-style-type: none"> • Economic performance 	<ul style="list-style-type: none"> • Occupational health and safety
	2	<ul style="list-style-type: none"> • Organizational profile • Labor/ management relations • Anti-competitive behavior 	<ul style="list-style-type: none"> • Indirect economic impacts • Asset integrity and process safety • Wastewater discharges and waste management • Environmental expenditures • Indigenous rights • Human rights and labor practices grievance mechanisms 	<ul style="list-style-type: none"> • Strategy and analysis • Stakeholder engagement • Corporate governance • Ethics and integrity • Procurement practices and operations localization • Energy consumption • Water use efficiency • Air emissions • Ecosystem conservation and biodiversity • Compliance with environmental regulations • Employment • Health and safety in the workplace • Employee training and education • Local communities • Emergency preparedness • Anti-corruption • Freedom of association and collective bargaining
	1	<ul style="list-style-type: none"> • Market presence • Materials • Transport • Supplier environmental assessment • Diversity and equal opportunity • Equal remuneration for women and men • Non-discrimination • Child labor • Forced or compulsory labor • Supplier human rights assessment • Human rights assessment within investment activities • Supplier assessment for impacts on society • Environmental issues and impact on society grievance mechanisms • Involuntary resettlement of indigenous people • Customer health and safety • Product and service labeling • Marketing communications • Customer privacy • Compliance with the requirements for services and products quality • Fossil fuel substitutes 	<ul style="list-style-type: none"> • Identified material aspects and boundaries • CSR governance • Products and services • Supplier assessment for labor practices • Human rights assessment within the Company • Compliance with legislation and regulations • Security practices 	<ul style="list-style-type: none"> • Proven reserves • Report profile • Public policy
		1	2	3
		INTERNAL STAKEHOLDER EVALUATION		

REPORTING PRINCIPLES

In order to follow best practices in sustainable development, improve reporting processes and increase transparency, Rosneft Sustainability Report 2014 was prepared in accordance with the new GRI Guidelines version – GRI G4 Guidelines. Reporting principles of the Company were published in Sustainability Report 2008; they remained unchanged and are based on approach outlined in the GRI Guidelines.



ROSNEFT SUSTAINABILITY REPORT 2014 WAS PREPARED IN ACCORDANCE WITH THE NEW GRI GUIDELINES VERSION – GRI G4 GUIDELINES»

This Report provides data on all GRI G4 Guidelines indicators including reporting elements for oil and gas sector that were considered material and for which information is available.

The Report reflects the Company's progress in implementing the principles of

the UN Global Compact and includes information on the basic performance indicators developed by Russian Union of Industrialists and Entrepreneurs (RSPP). The Company follows and applies the principles of the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/ API (2010).

Rosneft Sustainability Report 2014 undergone an independent assurance by EY and follows the Core option of GRI G4 Guidelines. The independent assurance report is available on pp. 110–111 of the Report.

REPORTING BOUNDARIES

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

The data on HR management and engagement with the society are provided within the centralized business-planning

boundaries that were made closer to IFRS boundary in 2013. According to the principles of IFRS the data on the payroll fund, social payments and average headcount include Tomskneft VNK OJSC and the data on headcount at the 2014 year-end do not include the aforementioned company. In 2014, the reporting boundary for HR included the following acquired assets: Itera Group, Orenburg Drilling Company LLC, assets of Weatherford group in Russia, Bishkek Oil Company CJSC as well as several subsidiaries of Commerce and Logistics business segment.

The reporting boundary for occupational health and safety (OHS) and environmental performance indicators includes Tomskneft VNK OJSC and Udmurtneft Group that are managed on a parity basis with Gazprom Neft OJSC and Sinopec Corp. The reporting boundaries for individual indicators are determined on the basis of existing data collection systems and processes, as explained in the respective comments.

In 2014, the Company conducted an extensive work on OHS boundary adjustment that led to inclusion into the boundary of all significant operating assets, including the acquired ones: Orenburg Drilling Company LLC, Weatherford group companies in Russia, Itera group companies, RN-CARD LLC, Purnefteotda-

cha OJSC. Data on key foreign production assets were also included in OHS boundary, following the widening range of Company's activities. OHS boundary encompasses both Rosneft Group and contractors, who work at the Company's operating assets.

The reporting boundary for environmental performance indicators broadened in 2014 driven by acquired assets of Itera group and several distribution subsidiaries of Commerce and Logistics business segment. RN-Energoneft CJSC that was previously included in the reporting boundary for environmental performance indicators is not covered by the data for 2014 due to company reorganization and assets transfer to Group's production facilities.

Acquired Itera Group and service assets are deemed significant not only in terms of operational and financial indicators but also taking into consideration headcount and occupational health indicators. In order to ensure data comparability of these indicators, Annex 3 to the Report outlines figures corresponding to key indicators for the aforementioned assets in the previous years. We believe that this approach will allow stakeholders to evaluate Company's actual key sustainability performance indicators.

Compared to the previous reports, there were no significant changes in the reporting scope for economic, social and environmental aspects in Sustainability Report 2014.



COMPANY PERFORMANCE



16	THE COMPANY IN 2014: GENERAL INFORMATION
28	CORPORATE GOVERNANCE SYSTEM
33	SUSTAINABILITY MANAGEMENT
36	RISK MANAGEMENT AND INTERNAL CONTROL
40	STAKEHOLDER ENGAGEMENT
44	INNOVATION DEVELOPMENT
48	OCCUPATIONAL HEALTH AND SAFETY
58	ENVIRONMENTAL SAFETY
78	PERSONNEL
100	SOCIETY



THE COMPANY IN 2014: GENERAL INFORMATION

IN 2014, ROSNEFT SECURED ITS STATUS OF THE LARGEST PUBLIC OIL AND GAS COMPANY IN THE WORLD, STRENGTHENING ITS POSITIONS BY VOLUMES OF PROVEN RESERVES AND LEVEL OF HYDROCARBON PRODUCTION. IN THE GAS SECTOR OF THE RUSSIAN FEDERATION, THE COMPANY IS THE THIRD LARGEST GAS PRODUCER AND THE SECOND ONE AMONG INDEPENDENT PRODUCERS.

In 2014, Rosneft secured its status of the largest public oil and gas company in the world, strengthening its positions by volumes of proven reserves and level of hydrocarbon production. In the gas sector of the Russian Federation, the Company is the third largest gas producer and the second one among independent producers.

Company's main activities include prospecting and exploration of hydrocarbon deposits, oil, gas and gas-condensate production, upstream offshore projects, processing, as well as oil, gas, and product marketing in Russia and abroad.

Company's largest shareholder (69.50% of the equity) is ROSNEFTEGAZ OJSC, fully owned by the Russian Government, while BP holds 19.75% of shares, one share belongs to the state represented by Federal Agency for State Property Management, whereas the remaining shares are free floating.

Rosneft is a global energy company with major assets located in Russia and a diversified portfolio in promising regions of international oil and gas sector, including assets in Venezuela, Ecuador, Cuba, Canada, the USA, Brazil, Norway,

Germany, Italy, Algeria, Mongolia, China, India, Vietnam, Turkmenistan, Belarus, Ukraine, and UAE.

Rosneft geography in Exploration and Production business segment encompasses all the key oil and gas regions of Russia, including Western and Eastern Siberia, Volga-and Ural Regions, Far East, Timan-Pechora, Krasnodar Region and the shelf of Russian seas, including Arctic shelf, as well as promising regions abroad, including Latin America and South-Eastern Asia.

At year-end 2014, Rosneft maintained the best results for operating costs per barrels of oil equivalent among other peer public companies that equaled USD 3.9 driven by efficient programs in exploration and production. In oilfield services the Company also initiated an integrated performance improvement program. The number of Company's drilling rigs grew from 81 to 213 units last year, while the number of operating crews increased from 51 to 200. The development of this direction allows to meet the demand of main Company's projects for oilfield services to a greater extent by the Company's own means.

Rosneft is a leader in oil refining in Russia. The Company owns 11 major refineries (including 50% share in Slavneft-YaNOS) and several mini-refineries in Russia. The Company holds 50% share in a joint venture Ruhr Oel GmbH (ROG) with BP that owns shares of four refineries in Germany. Oil processing in Belarus is carried out under a refining processing agreement at Mozyrsky Refinery with an indirect ownership interest of 21%.

In sales, Rosneft pursues policy of balanced oil monetization channels including processing at Company's refining facilities in Russia and Germany, export under long-term agreements and spot and internal market sales. Distribution network encompasses 59 regions in Russia, as well as countries of the near abroad, petroleum products retail network comprises 2,571 filling stations/ filling complex (including 2,377 filling stations in Russia). Working with end consumers, Rosneft pays special attention to consumer loyalty, considering consumer feedback. Mystery Shopper program that was aimed at estimating the quality of service at filling stations demonstrated the average quality rate equal to 86 points out of 100 possible in 2014. The Company also holds leading position on Russian jet fuel market that is maintained through sales of jet fuel at 18 controlled fueling sites and 18 partner fueling sites.

« **AT YEAR-END 2014, ROSNEFT MAINTAINED THE BEST RESULTS FOR OPERATING COSTS PER BARRELS OF OIL EQUIVALENT AMONG OTHER PEER PUBLIC COMPANIES THAT EQUALED USD 3.9»**



In 2014, the Company continued oil export under long-term agreements on a basis of advance payment to Glencore, Vitol and Trafigura, as well as supply under several agreements to China National Petroleum Corporation (CNPC).

During the year, a set of agreements aiming at long-term petroleum products supplies to BP Oil International Limited and oil export to refineries of the Indian company ESSAR was signed. During St. Petersburg International Economic Forum 2014 three agreements for the five year period with NIC, Shunkhlai, and Magnai were signed allowing entrance to the market of Mongolia. In the reporting year, the Company established stable supply to the petroleum products market of the Republic of Armenia, continued petroleum and diesel supply to the Kyrgyz Republic and Ukraine.

Rosneft key objectives pertain to production maintenance at mature fields, development of oilfield service business segment and further work offshore. Company's successful performance in 2014 demonstrate efficiency of its strategy, importance of the determined priorities and ensures further sustainable development of the Company.

11

REFINERIES

59

**RUSSIAN REGIONS
COVERED BY THE
DISTRIBUTION NETWORK**

2571

**FILLING STATIONS /
FILLING COMPLEX**



IN 2014, ROSNEFT 2030 DEVELOPMENT STRATEGY OUTLINING MAJOR AREAS AND OBJECTIVES FOR LONG-TERM DEVELOPMENT THAT COMPLY WITH THE MISSION OF THE COMPANY WAS ELABORATED AND APPROVED BY THE BOARD OF DIRECTORS.

ROSNEFT 2030 DEVELOPMENT STRATEGY

In 2014, Rosneft 2030 Development Strategy outlining major areas and objectives for long-term development that comply with the mission of the Company was elaborated and approved by the Board of Directors. Company's Long-term Development Program was also approved in order to implement the Strategy and comply with Directives of the Government of the Russian Federation.

According to the Strategy, Company's mission involves efficient fulfillment of power potential of Russia, ensuring energy security and rational use of natural resources.

Rosneft endeavor to ensure the efficient use of the unique resource base and energy security of Russia. The Company largely contributes to the development of the country mainly through implementation of large-scale projects for oil and gas production and processing, as well as through safe energy supply.

Rosneft Strategy encompasses all major areas of sustainable development, setting goals, objectives, and priorities for Company's development in the areas.



ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY (OHS)

The Company puts a great emphasis on maintenance of high standards in fire safety, OHS and environmental protection (hereinafter – HSE).

Rosneft acknowledges its social, economic and environmental responsibility that arises in the implementation of all projects. The Company applies the latest technologies and modern methods of production to ensure occupational health and safety, fire and radiation safety, environmental protection, preventing fire hazards and accidents.

The Company adheres to the following principles:

- life and health are the top priority;
- conservation of favorable environment and biological diversity;
- prevention above containment or mitigation of hazardous events;
- transparent and credible reporting on HSE.

Company's main goals are HSE is operation without fatalities, accidents or fires, and compliance with the best world practices in HSE. Main objectives in HSE are as follows:

- increasing responsibility and awareness in HSE at all levels of Company governance and stages of decision making;
- implementation of best world practices in HSE;
- minimization of negative impact on the environment;
- shaping of demand for national R&D for priority environmental issues, search for and implementation of innovations;
- preservation of biological diversity and ecological systems also while implementing offshore projects in Arctic.



ENERGY EFFICIENCY AND CONSERVATION

Company's key priority in energy sector is to ensure secure and efficient energy conservation at current and future Company's facilities provided fuel and energy resources are used rationally.

Current objectives in the area include efficient fuel and energy resources consumption, increase in energy efficiency and efficient asset management.



PERSONNEL

Rosneft HR and social strategy aim at hiring the required skilled and motivated employees to all units of the Company covering all operations.

HR strategy takes into account main existing and forecasted objectives and risks related to HR management. These risks are primarily related to lack of skilled employees that comply with Rosneft high standards and modern requirements of business environment in the market.

Enhancement of HR and social policy is conducted in the following areas:

- adequate employee remuneration for their input to Company's development;
- growth of labor productivity;
- human resource replenishment according to Company's requirements;
- attraction and retention of promising and skilled employees, including foreign specialists;
- improving the quality of life of employees and their families, creation of optimal employment conditions;
- development of senior management and management performance indicators in compliance with Rosneft strategy and standards;
- ensuring compliance with corporate regulations.



SOCIETY

In social responsibility, the Company adheres to the following principles:

- lead the sector in the area of social responsibility;
- provide reliable partnership in the regions of Company's operation, promote its production and infrastructure development, ensure secure petroleum products supply;
- support social projects on federal and regional level.

Key objectives in social responsibility are:

- constructive cooperation with stakeholders as part of the social partnership;
- implementation of projects for construction, repair, outfit and support of social infrastructure required for Company operation in the regions;
- reinforcement of the image of a socially responsible Company;
- evaluation and efficiency improvement of social performance.



INNOVATION DEVELOPMENT

One of the key priorities of Rosneft is technological leadership that is required to fulfill strategic objectives of the Company. The Company focuses on ensuring the efficiency and safety of its activities, business value enhancement and hard-to-recover reserves development, which is outlined in Rosneft Innovation Development Program.

Priority objectives of Innovation Development Program are as follows:

- technological self-sufficiency, capacity for technological ability to maneuver, flexibility in choosing contractors and markets, highest technology localization;
- maintenance of competitiveness in the domestic and global markets of technologies in oil and gas production, oil refining and related fields;
- implementation of best practices and innovation management standards, elaboration of technological and resource base;
- development of Company's technological expertise in key areas of operation, including development of a strong service sector that would be leading innovative sector in Russia;
- effective use of the resource potential of hard-to-recover reserves and Russian shelf;
- increased oil recovery driven by implementation of innovative enhanced recovery methods.



DEVELOPMENT OF INTERNATIONAL PROJECTS IN PROMISING OIL AND GAS REGIONS

In 2014, Rosneft continued active international advancement. One of the main focuses was given to enhancement and development of new partnership in Asia-Pacific Region that has substantial growth potential.

Memorandum of Understanding was signed between Rosneft and Brazilian company Petrobras in the presence of V.V. Putin, President of Russia, and D. Rousseff, President of Brazil, in the framework of the BRICS forum. The document outlines interaction of parties pertaining to development of joint natural gas monetization schemes as part of the Solimoes project in the area of the Amazon River in Brazil. The Memorandum stipulates formation of working group and elaboration of a road map for research.

Strategic Partnership Agreement was signed with Venezuelan state company PDVSA regarding Rio Caribe and Mejillones units at Venezuela shelf. The parties have expressed interest in the preparation and coordination of the fundamental conditions in order to establish joint ventures for fields development and LNG project implementation.

Memorandum of Understanding in exploration and hydrocarbon production on Russian Arctic shelf was signed with an Indian company ONGC Videsh Ltd. Parties will review an opportunity for consortium in the project led by the Company and other partners being attracted.

Strategic Partnership Agreement was signed between Rosneft and Mubadala Petroleum (UAE). The Agreement aims at partnership between two companies in hydrocarbon exploration and production with possible participation of Mubadala Petroleum in asset development in Eastern Siberia and Rosneft participation in international projects of Mubadala Petroleum.



Signing of memorandum on cooperation with a Cuban company Union Cuba-Petroleo (CUPET)

Rosneft signed a memorandum on cooperation with a Cuban company Union Cuba-Petroleo (CUPET) aiming at joint projects in Cuba. A working group comprising representatives of specialist services from both parties was formed. The companies also signed Agreement on Cooperation in increasing oil recovery at mature fields. The Agreement aims at cooperation in comprehensive study of field and well exploration and exploitation in Cuba for oil production optimization, improvement of well stock operation efficiency and wellbore intervention aimed at enhanced oil recovery.

Memorandum of Understanding was signed with National Oil Company of Mozambique ENH. The aim of the treaty is considering areas for mutual beneficial cooperation including joint bid application for forthcoming licensing for hydrocarbon exploration and production in Mozambique.

Memorandum of Intent was signed with Mitsui & Co. The Memorandum stipulates formation of joint working group for detail elaboration of cooperation options in high-tech oil and gas pipes supply, supply chain and services management for geological surveys at various parts of Russian shelf, as well as exploring the possibility of cooperation in oilfield services.

Memorandum of Understanding was signed with a Japanese company Marubeni Itochu Steel Inc. The Memorandum documents a joint exploration of the possible cooperation in integrated premium pipe products maintenance system. The document also stipulates formation of a working group for a detail elaboration of cooperation framework

between companies and possible joint participation in a pilot project.

In 2014, the Company continued to increase the total amount of service assets. Rosneft signed Investment and Cooperation Agreement with Seadrill Limited, one of the leading international oilfield service companies. The Agreement stipulates a long-term partnership in sea and land projects of Rosneft at least until 2022.

In July 2014, the Company signed an Agreement on acquisition of Weatherford International plc. assets in drilling and well repair in Russia and Venezuela thus ensuring access to oilfield services at competitive prices as a part of a long-term partnership.

EXPANSION OF INTERNATIONAL COOPERATION FOR OFFSHORE PROJECTS DEVELOPMENT

Rosneft understands that resource development at Russian continental shelf will require large investments and joint efforts of qualified partners. The Company aims to attract interested partners in projects for development of oil and gas fields in Russia, oil refining and petrochemicals development in order to ensure global energy security and meet global demand on energy resources.

The Company is open for joint investments with international partners all across the technological chain of hydrocarbons including production, infrastructure, processing, and transportation. In 2014, the Company held several bilateral meetings aimed at establishing relations with potential partners.

In Japan, negotiations were held with leading representatives of local business circles including top management of Mitsui & Co, INPEX corporation, Marubeni corporation, Toyota Motor Company, Tokyo Gas, Sakhalin Oil and Gas Development Co., Ltd., Japan Petroleum Exploration Co, Ltd, JX Nippon.

As part of the visit to India, there were meetings held with heads of leading Indian oil and gas companies including Reliance Industries Ltd., ONGC, Indian Oil Corporation Ltd.

During a visit to the Republic of Korea, there were meetings and negotiations organized with heads of large Korean companies including SK Trading International and Hyundai Heavy Industries.

KARA-Winter-2014



OPERATING ON THE RUSSIAN SHELF

Being the largest subsurface resources' user on the Russian shelf, Rosneft applies innovative technological solutions in order to become the world's largest operator in shelf field development.

In 2014, the Company completed a large number of geological and geophysical surveys in its licensed areas. In the reporting year, the Company's achievements were:

- drilling of Universitetskaya-1 well in cooperation with ExxonMobil, within a very short time, in compliance with all requirements and discovery of an oil and gas field Pobeda, unique by its northernmost position;
- drilling of two wells with extended reach at the Northern Tip of Chayvo field: producing and exploratory wells (later was turned into a producing one);
- putting Berkut platform topside successfully on the gravity base structure in Arkutun-Dagi field and the drilling of the first producing well;
- completion of Rybachya-1 well and discovering the namesake field in the Russian part of the Caspian Sea;
- initiating of five field geological expeditions on the Arctic coast and adjacent islands;
- initiating an conduction of KARA-Winter-2014 and KARA-Summer-2014 expeditions by the Arctic Research and Design Center with assistance of FSBI Arctic and Antarctic Research Institute specialists.





Drilling of exploratory well Universitetskaya-1 at Pobeda field in the Kara Sea

POBEDA FIELD DISCOVERY

In October 2014, the first Universitetskaya-1 exploration well was drilled in the East-Prinovozemelskiy-1 licensing area in the Kara Sea. The drilling revealed Pobeda field with a total oil productive capacity of 130.0 mmt and gas capacity of 396 bscm.

Physical and chemical properties and composition survey of the oil from the Universitetskaya-1 well revealed its high quality. This is an ultralight oil exceeding Brent benchmark crude and such brands as Siberian Light and WTI by key density and sulfur content indicators with characteristics compared to that of an oil from White Tiger field on the shelf of Vietnam.

The drilling was executed from semi-submersible drilling rig at the depth of 81 meters in record time in compliance with all technological and environmental requirements. The Company developed and implemented specialized safety plan: during the drilling, 13 ships on duty were monitoring ice conditions and protecting the drilling rig from icebergs and floes. Apart from that, a specialized ship

was constantly near the platform in order to ensure oil spill elimination. The drilling was followed by industrial environmental monitoring and constant observation of marine mammals and birds. Drilling waste was transported to the mainland in airtight containers and disposed at a specialized ground. After the works had been completed, the prospecting and appraisal well was liquidated. Rosneft is going to conduct annual control of the abandoned well mouth with underwater equipment.

Each part of the drilling project had its own Safety Plan, with a kick-off meeting on safety involving all contractors. Prior to project implementation, Emergency preparedness and response plan was elaborated. All equipment, well and ships were checked on compliance with applicable industrial safety standards. All employees underwent training on working under emergency response conditions.

During the actual project implementation, monthly meetings on safety involving all contractors were held, weekly safety checks on key indicators were conducted and daily reports prepared.

Before the project implementation, the Company held public hearings in the Arkhangelsk Region and Yamalo-Nenets Autonomous District. Information on public hearings was published in Rossiyskaya Gazeta as well as in regional and local mass media. Environment Impact Assessment (EIA) was timely placed in the public domain.

Drilling of the first producing well from Berkut platform in Arkutun-Dagi field



SAKHALIN-1 PROJECT IMPLEMENTATION

In 2014, Rosneft with partner companies ExxonMobil, SODECO and ONGC continued implementation of Sakhalin-1 project. Chaivo and Odoptu fields are developed using modern technologies and project management methods. New record was attained during drilling with Yastreb rig when the longest horizontal well in the world totaling 13 thousand meters was drilled and commissioned. The first producing well was drilled from Berkut platform in Arkutun-Dagi field.

In June 2014, Berkut platform topside was successfully put on the gravity base structure in Arkutun-Dagi field. The installation set a world record in the total weight of the integrated topside assembled with a float-over installation method at sea. The drilling of the first producing well from Berkut platform started in October 2014, with the first oil produced in January 2015.

At Berkut platform, for the first time in the world, the earthquake protection system that allows to sustain the earthquake with a magnitude of 9 points without performance impairment was installed. The platform sustains low temperatures (to a maximum of -44°C), withstands wave exceeding 18 meters and ice loads from two meter thick ice. Integrated drilling system on the platform essentially eliminates manual work.

All operations on the platform are supported by the autonomous power system that comprises four 60 MW gas-turbine units operating on associated petroleum gas separated on platform with possibility of simultaneous use of diesel fuel if required. There is a backup system comprising three diesel generators with a total capacity of 5.4 MW supporting the autonomous operation of the platform.

13

THOUSAND METERS –
THE LONGEST HORIZONTAL
WELL IN THE WORLD
IN 2014, SAKHALIN-1
PROJECT





Expedition KARA-Winter-2014.
Field works in the Arctic Ocean

ARCTIC EXPEDITIONS

Arctic Research and Design Center is a joint project of Rosneft and Exxon-Mobil. The Center conducts scientific research and surveys required for further development of the Arctic shelf. In 2014, the Center organized large-scale expeditions KARA-Winter-2014 and KARA-Summer-2014.

KARA-Winter-2014 expedition organized by the Center and supported by FSBI Arctic and Antarctic Research Institute specialists conducted field works in the Arctic Ocean. The expedition lasted for 63 days, becoming the longest such expedition conducted in Russia.

The scientists investigated the least known areas of Laptev, Kara, and East Siberian Seas conducting works at the coast line of Novaya Zemlya and Severnaya Zemlya archipelagos, and the

De Long Islands. Expedition participants conducted ice and meteorological surveys at 35 stations, installed 40 drifting buoys on ice fields and icebergs that will provide constant record of ice features coordinates and will allow to identify their drifting trajectory.

The data collected during the expedition is perceived as a breakthrough in the study of the Arctic by the scientific community. For the first time in the history, physico-chemical and morphometric properties of icebergs and ice ridges at the Laptev Sea were studied, as well as water and current distribution and variability of temperature. For the first time, iceberg drift near Severnaya Zemlya archipelago was studied. Drones and KA-32 helicopter were used for ice sheet research; unique remotely operated vehicles Gnom with immersion depth up to 100 meters were used for seafloor survey.

During the expedition, scientists observed marine mammals and birds in order to estimate potential impact of oil production on Arctic environment and develop environmental standards for shelf development. Basing on the collected data, models of ice features will be produced which will allow the Company to define safe areas for geological surveys, design drilling platforms and other oil production facilities, and choose hydrocarbons transportation routes and underwater pipeline routes.

KARA-Summer-2014 expedition was also initiated by the Arctic Research and Design Center with assistance of FSBI Arctic and Antarctic Research Institute. Specialists from Russian Federal Service for Hydrometeorology and Environmental Monitoring (RosHydroMet), VNIIOkeangeologia named after Gramberg, Geographic Institute of Russian Academy of Sciences took part in a 57 day

integrated research expedition on board Akademik Tryoshnikov vessel.

During the expedition, the scientists researched several licensed areas that belong to the Company at Laptev, Kara, East Siberian, and Chukchee Seas. The integrated researches included meteorological, hydrological, glaciological, volcanological and geochemical surveys. During the expedition, three modern weather stations and 16 buoy stations were constructed in order to study sea currents, water distribution, variability of temperatures. With installation of advanced automatic station on Uyedineniya Island, Rosneft completed establishment of complete weather observation system in the Kara Sea.

All the surveys were conducted in accordance with strict requirements on environmental and industrial safety, giving special attention to biological surveys, including marine mammals and birds' observation and estimation of environmental change impact on white bears. Prior to the expedition, Akademik Tryoshnikov vessel underwent an integrated IMCA compliance check.

ENGAGEMENT WITH NON-GOVERNMENTAL ORGANIZATIONS AS PART OF SHELF PROJECTS IMPLEMENTATION

On May 2014, Cooperation Agreement between Rosneft and Interregional Public Organization Association of Polar Explorers was signed as part of Russian shelf exploration and development under which the parties agreed to participate in working groups, commissions, committees, and other boards in order to develop program of integrated Arctic study that will allow to set clear environmental regulations for shelf development and principles of operation in the region. According to the Agreement, there are the following cooperation objectives:

- implementation of the main directions of the state policy in the Arctic;
- enhance legislation pertaining to development of the Arctic zone;
- develop polar studies and elaborate personnel training system that prepares for work in the Arctic;
- create and implement environmental protection programs for polar regions;
- collect, analyze and distribute information on Arctic study and development, perspectives for regional development, promote Arctic projects;
- develop and implement new equipment and technologies;
- organize and hold scientific and environmental expeditions to the Extreme North;
- enhance technical regulations in business operation safety in Arctic, adjusting that to the international requirements.

In July 2014, Rosneft and Russian Geographical Society held roundtable meeting Scientific Study of Arctic. The parties discussed development of a special scientific and interdisciplinary program on integrated study of Arctic considering regional context of business operations, including environmental regulations for shelf development. This initiative was supported by Russian National Committee for UNEP (UNEP/COM).

Leading oceanologists, biologists, geologists, geographers, ecologists that study Arctic region took part in the roundtable discussion. Experts acknowledged importance and necessity for resource development on Arctic continental shelf of Russia and related implementation of new study approach to regional context of business and technologies.

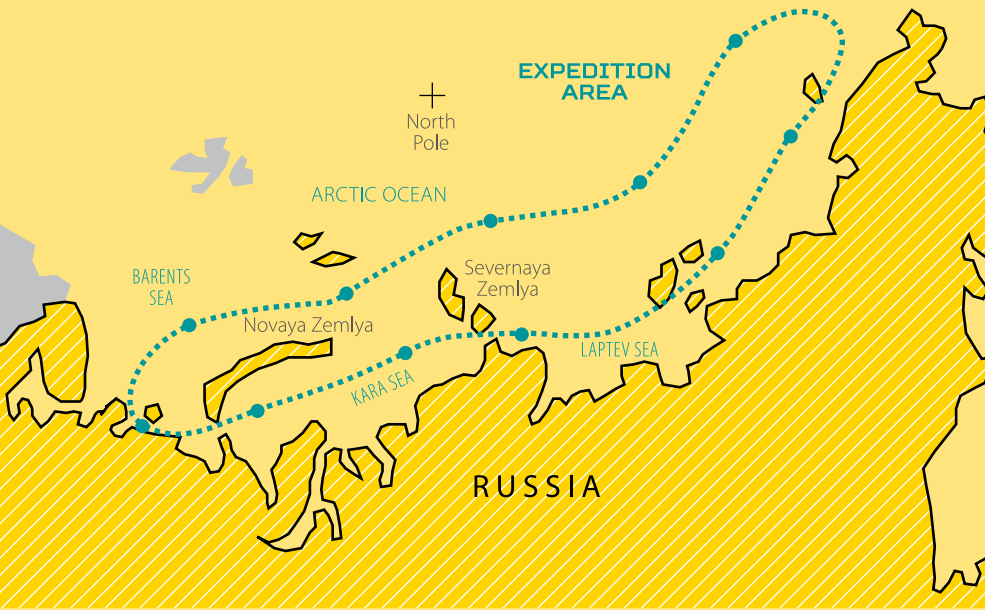
Participants discussed essential environmental issues in Arctic development and agreed upon the necessity for thorough interdisciplinary study of Arctic with all stakeholders participating. Integrated regional study will contribute to efficient and dynamic development and environmental safety of the region.

Acknowledging the necessity of large-scale integrated study for rational and safe shelf development the Company closely cooperates with research society. In August 2014, representatives of member states and observer states of the Arctic Council held meeting with scientists in Naryan-Mar. Members of Rosneft Board of Directors, special representative of the President of the Russian Federation for international cooperation in the Arctic and Antarctic Artur Chilingarov took part in the meeting held under the authority of The Security Council of the Russian Federation.



KARA-SUMMER-2014

EXPEDITION IN DETAIL



57 DAYS – duration of the expedition

20 PROMISING FIELDS studied for hydrocarbons

62 ICE BUOYS were placed on icebergs to identify their drifting trajectory, drift speed and for direction estimation

16 SUBSS were constructed to collect data on currents, waves, sea level variation, precipitation, ice drift speed and direction

KARA-WINTER-2014

EXPEDITION IN DETAIL

55 DAYS – duration of the expedition

7 LICENSED AREAS studied for hydrocarbons

63 ICE BUOYS placed on icebergs and ice fields to identify their drifting trajectory, drift speed and for direction estimation

OVER **30** HOURS OF DRONE SURVEY to monitor ice fields

NEARLY **100** HOURS KA-32 helicopter flights to support expedition



Nuclear-power icebreaker Yamal

OVER **700** SQ.KM OF GLACIERS

were surveyed using radiolocation and aerial photography in Novaya Zemlya and Severnaya Zemlya archipelagos



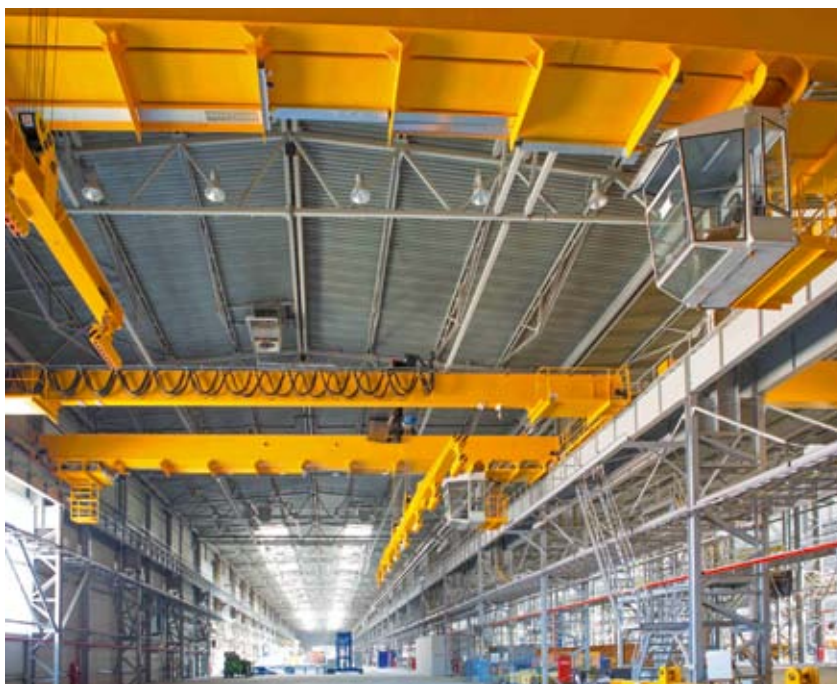
IMPORT SUBSTITUTION AND LOCALIZATION

Rosneft seeks to introduce advanced technologies to Company's projects through production localization of imported equipment in Russia. By 2025, the Company is planning to attain 70% of localization including that for shelf and gas projects, as well as for hard-to-recover oil production projects. The Company puts considerable efforts to start national production of equipment that is currently imported by a limited circle of Western companies.

In 2014, Import Substitution and Needed for Rosneft Projects Equipment Production Localization Program for 2015–2025 draft was elaborated in order to sufficiently reduce Company's dependency on imported equipment and technologies. As part of the Program implementation, long-term requirements in technologies in all key areas of Company's activity were outlined, national and foreign equipment manufacturers were chosen and import substitution potential assessment was conducted.

In case Russian manufacturers are currently unable to produce an efficient analogue of a certain type of equipment, Rosneft plans to initiate negotiations with foreign partners pertaining localization under bilateral or tripartite agreements with Russian companies participating that will form the base for localization. At first stages of the Program, the focus will be given to the most crucial technologies required for successful operation of the Company. Subsequently, the Program will be revised considering the Company's requirements.

A joint venture of Rosneft and General Electric became one of the major achievements in 2014. A launch of engineering and research centers is planned for the beginning of 2015. The centers will focus on analysis of current technology adaptation and new solutions for General Electric equipment utilization on Rosneft projects taking into account climate conditions and local characteristics. The joint venture will focus on localization of wellhead equipment, compressors, pumping and other types of equipment.



Shipbuilding yard Zvezda

Furthermore, the Company made strong commitments to localization of ship and marine machinery building required to implement offshore projects and took active steps in this direction.

Supported by Russian President Vladimir Putin and in collaboration with Gazprom-bank OJSC, Rosneft has launched a project to create Russia's first ever large-scale shipbuilding yard, Zvezda shipbuilding facilities on the south of the Primorsky Territory with a steel processing capacity of up to 330 thousand tonnes per year. The product range of Zvezda comprises high-tech heavy-tonnage vessels, parts of offshore and onshore oil and gas facilities, marine machinery, vessels of service fleet, including ice-class vessels. The production is to be launched as early as 2016, with the production reaching full estimated capacity later on.

While implementing Import Substitution and Production Localization Program, Rosneft cooperates closely with federal authorities. The Company actively cooperates with Ministry for Industry and Trade, Ministry of Energy, Russian Government. The cooperation allows to consider further development of localization projects with economic efficiency driven both by Rosneft requirements and overall industry demand in a certain type of equipment.

70%

PLANNED LEVEL OF LOCALIZATION BY 2025,

including for shelf and gas projects as well as for hard-to-recover oil production projects.



CORPORATE GOVERNANCE SYSTEM



Annual General meeting of shareholders. Khabarovsk, 2014

Rosneft governance system is based on corporate governance principles and standards recognized by the global economic community and designed to ensure the Company sustainable development, economic efficiency, and investment attractiveness.

Rosneft Charter provides four-level system of governance bodies, which complies with Russian legislation for public companies.

Rosneft supreme governing body is the General Shareholders' Meeting. The Board of Directors performs the Company's strategic management on behalf and in the best interests of shareholders. Rosneft day-to-day operations are managed by the sole executive body and collective executive body. Executive bodies report to the Board of Directors and the General Shareholders' Meeting.

Rosneft constantly monitors the efficiency of the governance system, and holds activities to improve corporate governance in view of the changing economic environment as well as in compliance with applicable legislation and regulatory requirements.

In 2014, amendments were made to Rosneft Charter and internal documents regulating the activities of the Company's governance bodies. The main prerequisites for updating top-level documents were: the Company's expansion of operations, BP company becoming a large foreign shareholder in 2013, changes in Russian legislation and MICEX listing rules, approval of the Corporate Governance Code by the Bank of Russia and publication of regulations and recommended practices by the Federal Agency for State Property Management.

The amendments to the Company's Charter and internal documents, which were approved by the General Shareholders' Meeting, are focused on the following:

- improving of the mechanism for exercising shareholder rights, including participation in Company management, and raise shareholder awareness about the Company's operations;
- improving of strategic role of the Board of Directors in the governance system;
- strengthening roles and increasing responsibilities of the executive bodies in the Company's operational management;

- putting into practice new approaches to management of the companies where Rosneft has a participatory interest while maintaining an adequate level of control.

Pursuant to the instructions of the Russian Government and the resolution of Rosneft Board of Directors, the Company analyzed the current governance system in 2014 in terms of its compliance with key recommendations of the Corporate Governance Code of the Bank of Russia.

The analysis results show that Rosneft follows 85% of the Corporate Governance Code recommendations. In February 2015, Rosneft Board of Directors approved the Action Plan (Road Map) to implement the Code's key recommendations in the Company's corporate governance. The Road Map encompasses a number of measures to be taken in 2015 and in the years ahead with the aim to improve the Company's governance system in terms of information reporting and disclosure, appraisal of the Board of Directors performance and improvement of its strategic role (including the increased role of the Board of Directors committees), development of short-term and long-term incentive programs for the Company's top management, enhancement of the internal control and risk management system, compliance system and corporate fraud and corruption prevention.

ROSNEFT GOVERNANCE SYSTEM IS BASED ON CORPORATE GOVERNANCE PRINCIPLES AND STANDARDS RECOGNIZED BY THE GLOBAL ECONOMIC COMMUNITY AND DESIGNED TO ENSURE THE COMPANY SUSTAINABLE DEVELOPMENT, ECONOMIC EFFICIENCY, AND INVESTMENT ATTRACTIVENESS.

BOARD OF DIRECTORS

The Company's Board of Directors being the key element of the governance system is responsible for the Company's strategic management.

The Company's Board of Directors members are well qualified and experienced in sustainable development and are trustees of important cultural and environmental, non-governmental and scientific organizations. In particular:

Andrey Bokarev, a member of the Board of Directors and a member of the Board of Directors Audit Committee, has competencies and expertise in the following areas of sustainable development: responsible financing, non-financial risk management, business ethics, anti-corruption practices and HR management. Andrey Bokarev is a member of boards of trustees in several organizations, including Russian Olympians Foundation non-profit charity organization, Russian Tennis Federation, Financial University under the Government of the Russian Federation, and is also the President of the Russian Ski Association.

Artur Chilingarov, a member of the Board of Directors and a member of the Board of Directors Strategic Planning Committee, has extensive knowledge and expertise in the following areas of sustainable development: HR management, occupational health and safety, climate change and greenhouse gas emissions, energy efficiency, environmental protection and stakeholder engagement. Artur Chilingarov, Doctor of Geography, a corresponding member of the Russian Academy of Sciences, Chairman of International Humanitarian Aid and Cooperation Fund, President of the Interregional non-governmental organization Association of Polar Explorers, special representative of the President of the Russian Federation for international cooperation in the Arctic and Antarctic, member of the Marine Board under the Government of the Russian Federation, member of the Government Commission on Russian Presence in the Svalbard

(Spitsbergen) Archipelago, Deputy Chairman of the Advisory Board on the Arctic and Antarctic of the Federation Council of the Federal Assembly of the Russian Federation, First Vice President of Russian Geographical Society. He also has a number of Russian national awards.

Andrey Akimov, a member of the Board of Directors and a member of the Board of Directors HR and Remuneration Committee, has competencies and expertise in the following areas of sustainable development: responsible financing, non-financial risk management, business ethics, anti-corruption practices and HR management. Andrey Akimov is a member of boards of trustees in several organizations, including National Intellectual Development Fund, Pushkin State Museum of Fine Arts, Moscow State Institute of International Relations (MGIMO), Russian Chess Federation, Energy and Finance Institute Foundation, and is also a board member of the Association of Russian Banks.

Matthias Warnig, Vice-Chairman of the Board of Directors, Chairman of the HR and Remuneration Committee, member of the Audit Committee, has extensive knowledge and expertise in the following areas of sustainable development: responsible financing, business ethics, anti-corruption practices and environmental protection. Matthias Warnig is a member of the board of trustees at the Baltic Sea Music Education Foundation.

To learn about other Board of Directors members, see the Sustainability Report 2013.

In 2014, the Company's Board of Directors made a number of decisions related to sustainable development issues, including:

- approved Rosneft 2030 Development Strategy and Long-term Development Program;
- made decisions aimed at improving the efficiency and transparency of the Company's operations and increasing productivity under the Directives of the Government of the Russian Federation;

- approved the performance results of Rosneft top managers and the amount of their annual remuneration in 2013, as well as top managers' 2014 performance indicators for the purpose of bonus payment;
- approved the 2015–2019 Rosneft Energy Saving Program;
- examined:
 - report on the implementation of the 2009–2013 Rosneft Energy Saving Program in 2013 and during the period of five years;
 - report on the implementation of Rosneft Innovation Development Program in 2013;
- approved the Company's regulatory documents:
 - Energy Efficiency and Energy Saving Policy;
 - Policy on Regional Development and Cooperation with Constituent Entities of the Russian Federation;
 - Corruption Prevention Policy and Corporate Fraud Prevention Policy;
 - Financial Control Policy;
 - Corporate Property Management Policy;
 - Civil Defense Policy;
 - Regulations on the Company's Performance Indicators;
 - Standard on the Criteria of Classifying the Company's Controlled Companies as Key Companies of Rosneft Group.

In October 2014, Rosneft Board of Directors approved new versions of the regulations on the Board of Directors committees and approved the creation of the subcommittee of the Strategic Planning Committee on the Arctic development. Artur Chilingarov, Board of Directors member, became the head of the subcommittee.

All the above decisions were taken by the Board of Directors following the preliminary recommendations of specialized committees which were set up to review the most important issues regarding the Board of Directors competencies.

The Company's Sustainability Report is approved by the HR and Remuneration Committee of the Board of Directors.



Rosneft Sustainability Report 2013 was reviewed and approved by the committee in third quarter 2014.

The Vice President for HR and Social Affairs is responsible for coordinating the Company's preparation of sustainability reports. The Vice President for Health, Safety, and Environment is in charge of HSE issues. The Vice-President for Energy and Localization is in charge of energy efficiency issues; the Vice President for Innovation is responsible for development of new technologies. The Company's State Secretary – Vice President oversees public authority relations and stakeholder engagement in the regions of operation as well as charitable activities.

SHAREHOLDER RELATIONS

To improve the procedure for exercising shareholder rights to manage the Company and raise awareness of its operations, in 2014, amendments were made to the Charter and Regulations on the Company's governance bodies and shareholder relations:

- The Regulations on the General Shareholders' Meeting provide for the possibility of shareholders' remote participation in the voting through electronic voting. To that end, it is planned to create shareholders' personal accounts enabling exchange of information and documents.

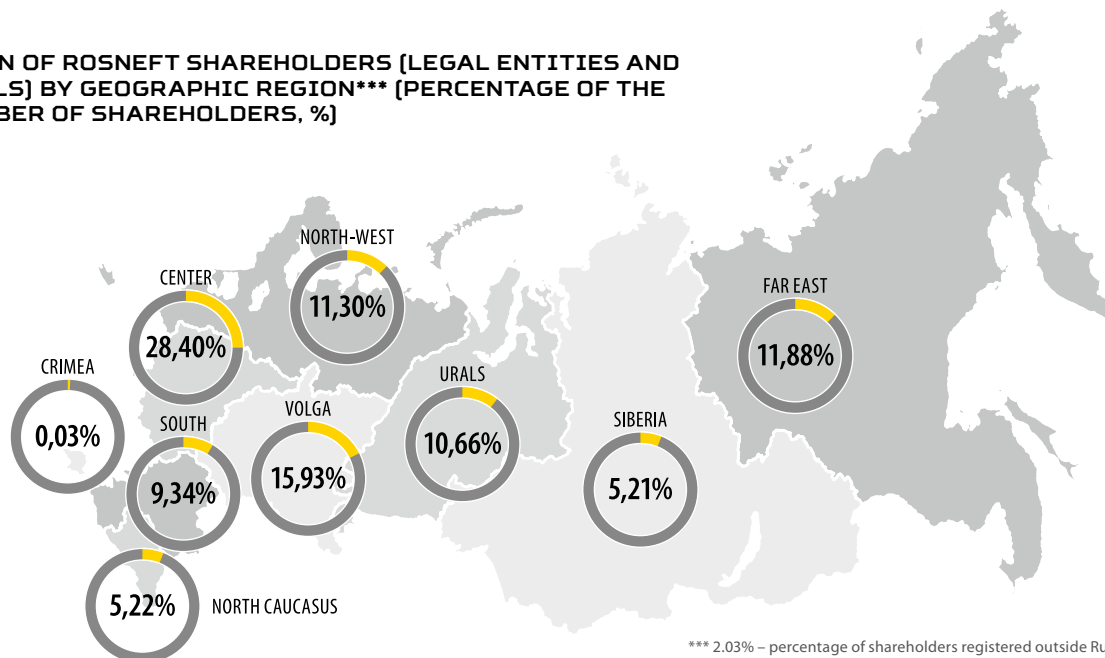
- The period of dividend payment was shortened: up to 25 business days from the date of determining the list of shareholders entitled to receive dividends;
- The participants of the General Shareholders' Meeting were given access to more information, and the period of shareholders' notification of resolutions adopted by the General Shareholders' Meeting was reduced to 4 days;
- Additional cities were chosen where the General Shareholders' Meeting may be held, consequently, their number grew from five to ten.

Increase of the Company's Management Share in the Charter Capital

In 2014, the share of the Company's management in the authorized capital continued to increase, which conforms to the practices of the world's leading companies and is an integral part of the Company's corporate culture. Managers should be personally interested in improvement of the Company's

operating efficiency, operating and financial performance. Therefore, the increased share of the Company's top management in the authorized capital gives evidence of the management's confidence in further successful development of the Company and shareholder value growth.

BREAKDOWN OF ROSNEFT SHAREHOLDERS (LEGAL ENTITIES AND INDIVIDUALS) BY GEOGRAPHIC REGION* (PERCENTAGE OF THE TOTAL NUMBER OF SHAREHOLDERS, %)**



2014 Results of Shareholder Hot Line Operation

To enhance information transparency and efficiency of shareholder relations, the number of communications channels was increased. A multichannel hotline operates on a regular basis. If the shareholder's request goes beyond standard questions, the shareholder is put through to the Shareholder Relations Office, which provides detailed information on the request and, if necessary, connects the shareholder with the Company's registrar or depositary banks, depending on the type of share right registration. The Shareholder Relations Office has an e-mail for shareholders Shareholders@rosneft.ru that helps to simplify the procedure for providing information and shorten the response time.

Based on the 2014 results, the data were analyzed regarding the number

of Rosneft minority shareholders' requests through the shareholder hotline, by mail or by email at shareholders@rosneft.ru. In 2014, the Shareholder Relations Office processed a total of 12,351 telephone calls, 426 written requests, and 249 electronic requests.

The requests received in 2014 were mainly related to distribution and payment of dividends, ownership of shares and the procedure for share right registration. Shareholders also made queries about their rights to participate in the General Shareholders' Meeting, the deadline for receiving ballots to vote at the General Shareholders' Meetings, sources of information about the Company's operations, as well as requirements to provide Rosneft documents.

IN 2014 SHAREHOLDER RELATIONS OFFICE PROCESSED

12351

TELEPHONE CALLS

426

WRITTEN REQUESTS

249

ELECTRONIC REQUESTS



Acquisition of RN Holding OJSC Shares

On May 16, 2014, Rosneft successfully acquired shares from remaining minority shareholders of RN Holding OJSC. As a result of the acquisition, Rosneft gained indirect control of 100% ordinary and preferred registered shares of RN Holding OJSC. To learn more about the procedure of share acquisition, see the Sustainability Report 2013.

All payments for acquired shares were made before the transfer of shares in

favor of Rosneft by remitting funds directly to shareholders, nominee shareholders, or by crediting the notary's deposit.

For the convenience of RN Holding OJSC shareholders, Rosneft created a large network of offices for receipt of applications in more than 70 Russian cities, where each shareholder could file their application as part of share acquisition and receive professional advice.

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

INVESTOR RELATIONS

Rosneft consistently builds the system of investor relations in full compliance with international best practices.

The Company organizes quarterly conference calls for analysts and investors in order to discuss the Company's financial and operating performance. The Company's official website provides an interactive access to the archive of recorded conference calls. The public information on Rosneft shareholders owning over 1% of the authorized capital is updated monthly, and the information on financial results is updated quarterly.

As in the previous years, the Company held regular meetings with investors once or twice a month. During these meetings, the Company and investors discussed the Company development issues which were especially important for investors.

In 2014, there were 22 meetings with representatives of 34 investment funds and banks to determine the target groups of investors by region and monitor investors' interest in the Company's shares.

Moreover, the Company actively works with rating agencies. In the course of 2014, the Investor Relations Department arranged 11 conference calls and meetings of the management with S&P and Moody's rating agencies in order to inform about the Company's operations and liquidity, which made it possible to maintain the Company's sovereign rating.

IN 2014 WERE HELD

22

MEETINGS WITH REPRESENTATIVES OF 34 INVESTMENT FUNDS AND BANKS

11

CONFERENCE CALLS AND MEETINGS OF THE MANAGEMENT

with S&P and Moody's rating agencies

SUSTAINABILITY MANAGEMENT

SUSTAINABILITY POLICY

The Company's Sustainability Policy defines key principles and areas of activity, as well as main reporting principles. The policy is mandatory for all of the Company's subsidiaries and recommendations for affiliates, with the focus on unification of their activities in sustainability.

In 2014, the Company continued updating the Sustainability Policy to maximize compliance with international best practices regarding sustainability and take into account new areas of Company development. As at the reporting date, the new version of the Policy was submitted for approval. The current version of the Sustainability Policy is available in the Sustainable Development section of the corporate website.

Under the Sustainability Policy, Rosneft sustainability activities are based on the following principles:

- compliance with legislation and the Company's other commitments;
- taking into consideration stakeholders' interests and expectations;
- respect for human rights;
- implementation of sustainability principles in the Company's day-to-day operations;
- understanding and consideration of regional context;
- performance assessment and ongoing improvement;
- risk management;
- information transparency.

The Company's key objectives in terms of sustainable development are to increase economic efficiency, develop employees and ensure stable work collectives, maintain a high level of occupational health and safety for Company's personnel, contractors, local communities and environment, and participate in social and economic development of the regions of operation through constant engagement with stakeholders.

THE COMPANY'S SUSTAINABILITY POLICY DEFINES KEY PRINCIPLES AND AREAS OF ACTIVITY, AS WELL AS MAIN REPORTING PRINCIPLES.



First Place in the Corporate Social Responsibility (CSR) Rating

ROSNEFT CAME FIRST IN THE INTEGRATED CSR RATING OF THE LARGEST COMPANIES ON THE RUSSIAN MARKET.

The rating was prepared by EcoProm-Systems company in cooperation with the National Monitoring Service. The Company's activities for 2010–2013 were analyzed.

The integrated rating is based on criteria of two categories such as Company's

CSR activities and media coverage in this field. All information needed for assessment of CSR activities was taken from public sources, including the analysis of over 500 federal media, 8 thousand regional media and 3 thousand specialized news media, journals and magazines.

Rosneft gained maximum points in the following categories: Stakeholder Engagement, Stakeholder Awareness Raising, and Social Engagement.



DEVELOPMENT OF THE COMPLIANCE SYSTEM

Rosneft employees should strictly comply with legal, ethical and professional norms and standards that meet state, market and social requirements and are the basis of the term compliance.

In the previous years the Company made a significant progress in terms of compliance. Codes of Business Ethics and Corporate Conduct have been approved and are now in force; the Business Ethics Council operates; the Corruption and Corporate Fraud Prevention Policies are in effect; a number of information and technical measures for data protection have been implemented; there is a Security Hot Line and an e-mail for queries on business ethics issues.

The Business Ethics Council identified six key compliance areas to minimize risks:

- corruption prevention while cooperating with contractors, public authorities and government agents, providing charitable aid and sponsorship, receiving and giving business gifts and making hospitality gestures, as well as when hiring new employees;
- fraud prevention while cooperating with contractors and hiring new employees, as well as relating to Company employees' actions;
- compliance with anti-monopoly legislation regarding oil products sale, contractor relations, mergers and acquisitions;
- compliance in procurement;
- compliance with trade sanctions;
- compliance with listing requirements.

The compliance measures are implemented by the part-time Compliance task force team created in 2013 under Rosneft Order on Ensuring Compliance Function, which includes specialists of internal control, risk management, HR, legal support and security.

In 2014, the working group created an integrated corporate compliance program (road map) that was approved by the Business Ethics Council. To implement the road map, the Company's anti-cor-

ruption and ethical regulations were analyzed for their adequacy and compliance with Russian and international anti-corruption legislation. Moreover, a number of documents were updated, and the Compliance Policy was drafted. The road map also covers compliance training for employees, update of the Code of Business Ethics, identification and analysis of compliance risks, monitoring and reporting on compliance activities.

In 2014, the Company continued basics of compliance training with the heads of the Company's structural units involved. As a result of the training, employees learned about the main compliance regulations, requirements to employees, mechanisms to reduce compliance risks, main examples of unethical conduct and appropriate countermeasures.

The monthly bulletin Everything about the Compliance System became an important means of communication on compliance issues in 2014. The bulletin informs about various aspects of the system, covers the Company's progress made in the area of compliance, and gives examples of ethical business conduct and practical advice on the pressing issues.

CORRUPTION AND FRAUD PREVENTION

Corruption and Fraud Prevention is an integral part of the compliance system. In 2014, the Corruption and Fraud Prevention Policies were updated and brought into compliance with the international standards.

As a part of the compliance training program for the Company's top management, workshops on anti-corruption practices were held in 2014. Trainings sessions on corruption and fraud prevention for employees of joint ventures were organized in collaboration with foreign partners. A similar distance learning course for the Company's subsidiaries is under development.

A Features List was developed with regard to actions harming the Company's

employees, facilities and interests, to be applied by the economic security units of the Company's subsidiaries. A special focus was on corruption prevention. In order to raise effectiveness of the initiative meetings with risk experts were held on a regular basis.

The Comprehensive Corruption and Fraud Prevention Program was under development in 2014. One of Rosneft priorities in the next reporting period is to develop the mechanisms of implementing existing policies on conflict of interest management relating to hospitality and reception of public officials, charity and sponsorship, etc.

An essential element of the Company's corruption and fraud prevention system is the round-the-clock Security Hot Line created in 2013, which enables Company employees and third parties to contact the Security Service on a confidential basis in relation to corruption, fraud, and thievery issues. The growth of confidence to this anti-corruption and anti-fraud instrument is confirmed by a significant decrease in the share of anonymous calls and an increase in the total number of calls in the reporting year.

Over ten thousand calls to Security Hot Line were recorded in 2014. The Company considers every single call and takes appropriate measures, if necessary. The cases of fraud resulted in charges against some officials as well as dismissals. In some cases, law enforcement authorities filed criminal charges.

In 2014, the Security Hot Line software and hardware was upgraded, and the implementation of the comprehensive information support plan continued. The information on the hotline is published on the corporate website and in the corporate media. In addition, posters advertising the hotline are placed everywhere, with English posters installed in the companies jointly owned with the Company's foreign partners. Various communications channels are used, including telephone, mail, and e-mail. The goal of the information campaign is

Assessment of Corporate Reporting Transparency in the Transparency International Rating

Based on the results of corporate reporting transparency study by Transparency International, Rosneft was highly praised for information disclosure relating to implemented anti-corruption programs, which was an important achievement in 2014.

To compose the rating, Transparency International analyzed the reports of 124 largest listed multinational corporations. Only three Russian companies

with the government's stake were included in the study, which are Rosneft, Gazprom and Sberbank.

Rosneft rating of information disclosure relating to implementation of anti-corruption programs was 81% out of maximum amount and is comparable to the level of ExxonMobil.

According to Transparency International rating, Rosneft is ahead of many

international competitors in the energy industry in terms of corporate structure disclosure and the overall rating.

to make employees aware of the existing Security Hot Line and know how to use it when dealing with cases of corruption or fraud.

When identifying and combating cases of corruption and fraud across all the regions, the Company closely cooperates with Russia's Interior Ministry under the signed cooperation Agreement and five-year corruption and fraud prevention plans.

CODE OF BUSINESS ETHICS

Rosneft has a Code of Business Ethics (Code) in place, which establishes the rules of business conduct that are mandatory for all Company managers, officials, and employees. One of the mechanisms for monitoring implementation of the Code is to quickly collect, consolidate and process employee queries, which are sent to a special mail box of the Code, followed by the appropriate management decisions. A total of 68 queries was received in 2014, with 41 complaints about compliance with Russian labor legislation, 12 claims of conflict of interest, 6 claims of corruption and fraud, 6 complaints about employees at the subsidiaries, and one claim in the social and production sphere.

In 2014, preparatory work began on reviewing and updating the Code of Business Ethics. A supervised working group responsible for updating the Code held a series of discussions with relevant experts from the subsidiaries and labor union leaders with the most important proposals included in the new version of the Code. Furthermore, international best practices were analyzed and taken into consideration.

The work on approval and implementation of the revised Code of Business Ethics will continue in 2015 pursuant to the developed plan.



RISK MANAGEMENT AND INTERNAL CONTROL

ROSNEFT HAS IMPLEMENTED AND IS CONTINUOUSLY IMPROVING ITS RISK-BASED INTERNAL CONTROL SYSTEM IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE OF THE BANK OF RUSSIA²⁶, RUSSIAN LEGISLATION AND OTHER BEST PRACTICES, AIMED AT PROVIDING REASONABLE ASSURANCE IN ACHIEVING THE COMPANY'S OBJECTIVES.

RISK MANAGEMENT

Rosneft risk management activities are carried out within the corporate risk management system (CRMS), the principles and objectives of which are defined by the Company's Policy of Internal Control System and Risk Management and by the concept of the risk management system development that determines the main directions of CRMS development in the medium term.

sustainable development risks such as qualified personnel shortage risk and environmental risks.

Another achievement in 2014 was the introduction of quarterly risk monitoring procedures for the current financial and business operations, including the risk reporting updates and measures implementation monitoring. The use of these procedures allows for deeper integration of risk management processes and business planning. In the future, the

- The Company developed uniform methodological approaches for risk management of investment projects; these included expert evaluation of investment projects for completeness of accounting and risk assessment.
- The Company provided comprehensive insurance coverage of corporate risks by cooperating with insurance companies to assess damage and guarantee insurance settlements for all events insured in 2014.

« THE COMPANY'S KEY EXECUTIVES WERE INVOLVED IN STRATEGIC RISK ANALYSIS »

The Company worked consistently on preparing the Corporate Risk Management System Standard in 2014, with the aim to ensure continuous and cyclic risk management process at the corporate level. The process includes identification and assessment of risks affecting the Company's operations, implementation and monitoring of activities aimed at reducing risks to an acceptable level, and reporting on risks to the Company management.

In 2014, as part of CRMS, the Company developed a report on its strategic risks for the period to 2030. The report was based on information about the Company's strategic goals and objectives, as well as on Russian and international data sources publishing information about the risks and prospects of the oil and gas industry development for the period to 2030. The Company's key executives were involved in strategic risks analysis. This analysis made it possible to assess the most significant risks in terms of the Company's strategic objectives. It is worth noting that strategic risks embrace

Company plans to work systematically on improving the quality and reliability of the information provided and to distribute this information among the Company's subsidiaries.

In 2014, the Company implemented the corporate risk management system at the subsidiary level by introducing pilot projects in the Company's core business segments. Subsidiaries' risks were regularly reported to subsidiary managers and their supervisors at the corporate center. At the same time, the Company continues to work on the development and implementation of regulatory documents governing risk management in subsidiaries.

As part of the risk management system development in 2014, the Company also took the following measures:

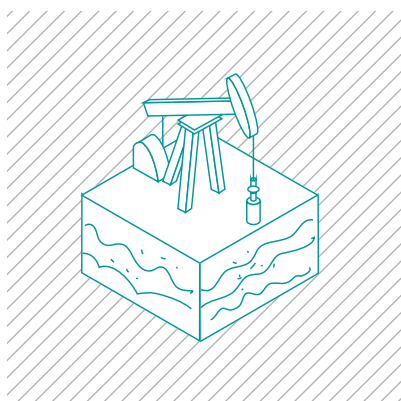
- The Company developed a quantitative risk assessment model in order to analyze Rosneft risk portfolio, therefore, the price and currency risks impact on the Company's financial performance was analyzed and evaluated.

The Company features a successfully operating institute of risk experts, including more than 50 employees from various structural units of the Company. Risk experts are engaged in identifying and assessing risks, preparing risk reports, and coordinating work with subsidiaries involved in implementation of CRMS pilot projects. The Company holds regular training events for experts.

²⁶ The Corporate Governance Code recommended by the Bank of Russia Letter dated April 10, 2014 № 06-52 / 2463.

KEY RISKS ASSOCIATED WITH THE COMPANY'S OPERATIONS

The Company's sector, country, regional, financial and legal risks are discussed in detail in Annex 2 to the Company's Annual Report 2014. This section focuses on sustainability risks, including those related to HR management, social policy and HSE risks.



Risks related to the prices of crude oil, natural gas, and petroleum products

The Company's financial and business performance indicators are directly related to the cost of production, where a reduction in prices may lead to a decrease in volumes of Rosneft commercial oil and gas production. This may result in a reduction in reserves, the development of which is profitable for the Company, and in a decrease in the economic efficiency of exploration programs. The Company can minimize the risk associated with a price decrease or price difference in domestic and international markets by reallocating existing trade flows and managing operating and capital costs.

Risks related to the dependence on monopoly suppliers of services for transporting oil, gas and petroleum products, and their rates

An important feature of the Company's business is the transportation of oil, gas and petroleum products by monopoly

suppliers of these services, such as Transneft OJSC, Russian Railways OJSC and Gazprom OJSC, which results in a lack of control over the infrastructure they operate and the rates they charge.

Risks related to gas sales

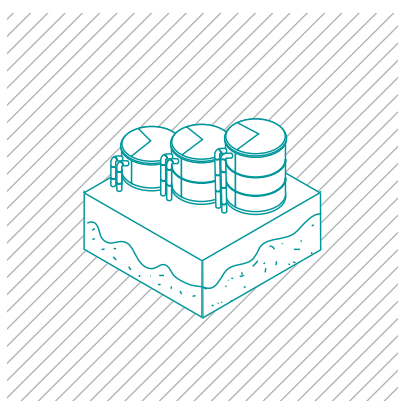
The Unified Gas Supply System, which is owned and operated by Gazprom OJSC, transports practically all gas in Russia. Further growth in the volumes of gas produced by the Company and an increase in sales to independent regional traders and independent industrial consumers will depend on sufficient access to the facilities of the Unified Gas Supply System, which cannot be guaranteed currently. In order to manage this risk, the Company has concluded gas transportation agreements with Gazprom OJSC, and adjusts the volume of gas production using limited price forecasts when making decisions on the implementation of gas projects.

Risks related to uncertainty in reserve estimates

Data on oil and gas reserves are estimates that are mostly based on the results of internal analytical work carried out by Degolyer and MacNaughton (D&M), the Company's independent petroleum engineering consultant. The actual reserves may differ significantly from these estimates.

Competition risks

There is fierce competition in the oil and



gas industry, with the Company's main rivals being other leading Russian oil and gas companies. Rosneft holds leading positions in the industry both in Russia and in the world, which significantly improves its competitiveness. Rosneft also has a large new project portfolio with the aim to maintain and improve its competitiveness in the future.

Geographic and climate risks

The Company's regions of operation have a stable climate and, therefore, are not much affected by natural hazards and disasters. However, some northern regions have abnormally low temperatures in winter, which may complicate the operations of oil-producing companies.

Export of crude oil from the Black Sea terminals to the Mediterranean ports may be limited by the capacity of the Bosphorus Strait, as well as by the Black Sea weather conditions (windstorms) in autumn. The Baltic Sea and De-Kastri export terminals can be closed in winter due to complex ice conditions. Long delays at the export terminals may adversely affect the Company's operational and financial results.

Risks related to environmental impacts, occupational health and safety, which may lead to significant costs

Each stage of oil and gas production – exploration, production, refining and transportation – is closely connected to health, safety and environmental risks. The most common risks are accidents and incidents at production facilities, which might lead to oil spills, land contamination, excessive air emissions of harmful substances, surface water pollution, and occupational incidents involving Company employees and contractors.

In order to minimize the risk of accidents and incidents, the Company carries out a detailed analysis of their causes and, consequently, adjusts the existing processes, including increased control over the quality of equipment, employee training in the field of occupational health and



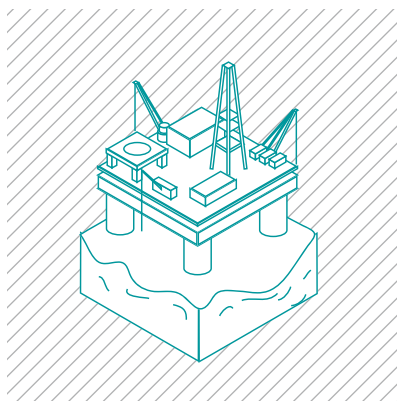
safety, and permanent readiness for emergencies. The Company plans to further improve the processes of hazard identification, risk assessment, and use of a risk-based approach to HSE planning.

Risks related to the Company's personnel and social policy

The Company's employees are the backbone of Rosneft successful operation. In view of the increased amount of hazardous work, including offshore projects, as well as participation in international projects, the impact of employee motivation and skills on the financial results of each internal division and the Company as a whole, is only growing. According to the personnel and social risk assessment results, there are risk categories relating to the Company's social obligations and to a shortage of qualified personnel at the current and future projects. Rosneft manages these risks by implementing a set of measures provided for by the Company's Personnel Strategy to attract and retain highly skilled professionals, as well as develop and improve the relevant HR management, social development and corporate culture procedures and policies.

Country and regional risks

Rosneft operates in all federal districts of the Russian Federation. The Company takes into account the development prospects of the federal districts and possible socio-economic risks set forth in the Russian Socio-Economic Develop-



ment Mid-Term Program. The Company also takes note of the risks due to changes in the foreign policy.

Rosneft also faces risks associated with its operation outside the Russian Federation, namely, in the emerging markets that are subject to more serious political, economic, social and legal risks than more developed markets. The operating risks in the emerging markets may be equal or higher than the risks in Russia.

Financial risks

The Company is increasing and expanding its business using both its own and borrowed funds. Rosneft main part of gross revenues is generated by crude oil and petroleum products export. Consequently, the RUB FX rate fluctuations can influence the Company's financial results, which is a factor of currency risk. The Company's currency risk is significantly reduced taking into account costs denominated in foreign currencies and loan service denominated in USD.

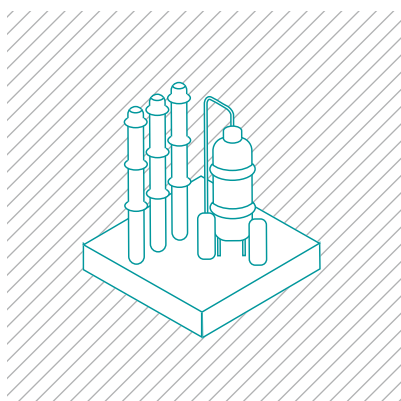
Being a major borrower, the Company is also exposed to interest rate risks.

Legal risks

The Company's legal risks are those associated with changes in foreign exchange regulations, tax laws, customs regulations and duties, violations of anti-monopoly legislation, and procurement legislation, as well as current legal proceedings wherein the Company is

involved. Legal risks are also connected to regulations on subsoil use, land use, urban relations and related risks associated with changes in health, safety and environmental legislation. In order to mitigate these risks the Company maintains constant monitoring and on a regular basis conducts assessment of changes in legislation, taking into account relevant changes in the Company's operations.

The Company takes into account the limitations caused by the sanctions imposed by the EU and the USA, monitors these sanctions and takes the necessary steps to minimize their adverse effect on the Company's operations.



INTERNAL CONTROL

An important element of Risk-Based Internal Control System, along with the corporate risk management system, is the Internal Control System (hereafter, ICS).

ICS is a system of organizational measures, policies, guidelines and control procedures aimed at minimizing the risk of business processes, norms of corporate culture, and actions taken by internal control and risk managers to ensure the proper performance of the following business activities: to ensure the Company's financial stability; to achieve an optimal balance between the growth of its value, profitability and risks related to business processes; to orderly and efficiently perform business activities; to ensure soundness of assets; to detect, correct and prevent violations; to comply with applicable laws and regulations, to timely prepare reliable financial statements; and, thereby, to increase investment attractiveness.

Detailed information on the risks and business process control procedures enables the management to make effective managerial decisions and achieve goals through timely prevention of undesirable events in business processes; thus, ICS directly contributes to achieving the Company's strategic goals, ensuring a high level of control. For this purpose, the information system for monitoring of the Company's key performance indicators and major projects realization – RN-monitor program was implemented in 2012. The contents of the information posted in the program was expanded in 2014.

The main results of ICS development in 2014 were:

- Approval by Rosneft Management Board of the Internal Control System Standard, which establishes the basic ICS performance indicators, the list of tasks and processes for the system, as well as the main aspects of cooperation between system users.
- Development of the 2015–2019 Rosneft ICS Development Program, which

RN-monitor program – Monitoring Information System

The RN-monitor program is designed for operational control and decision-making by top managers and heads of departments, and provides on-line access from both a desktop computer and a mobile device to results, analyses, and reports on the Company's most significant activities. The system covers 20 areas of activity, and contains about 700 indicators. Detailed information on the Company's major projects makes it possible to conduct a comparative analysis (benchmarking) of a number of indicators.

The program provides analytical reporting on procurement, current pricing of gas and petroleum products, performance of orders, analysis of stock price trends, market capitalization of the Company, as well as social programs and projects. Furthermore, if necessary, operational information about the Company's response to the HSE emergency situations can be posted in the program.

contains the vision, goals, objectives, and a list of key ICS events designed to contribute to the Company's achievement of its strategic goals and sustainable development.

- Analysis of risks and control procedures in ten business processes in Rosneft and sixteen companies of the Group.
- Approval of standard risk matrices, General IT Control and Information Security procedures; analysis of the adequacy of existing and standard control procedures.
- Development of the Company's compliance system described in the Development of the Compliance System section, including risk analysis of compliance in structural units and development of measures to minimize these risks; development of a corporate Compliance Policy; provision of training for executives, managers of joint ventures and compliance experts of Rosneft Company Head Office; development of a consolidated corporate compliance program and a compliance training plan.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the fundamental aspects of Company's Policy for Sustainable Development and Corporate Social Responsibility.

Stakeholder engagement system is based on the following principles:

- Respect and mutually beneficial cooperation;
- Timely information disclosure on the main aspects of Company's activities;
- Systematic and continuous cooperation;
- Identification of stakeholders expectations and compliance with given obligations.

Conducting a regular dialog with local communities and due public awareness are effective tools for strengthening the Company's reputation. The Company is implementing a number of measures for this purpose, including:

- Publication of annual sustainability reports;
- Holding regular meetings with stakeholders;
- Information support of social projects.

The Company's Board of Directors developed and approved the Policy for Regional Development and Cooperation with Constituent Members of the Russian Federation in 2014, which determines the basic forms of regional policy implementation aimed at providing effective solutions to important industrial, financial, socio-economic, organizational and other issues, and which contributes to mitigation of risks from regional activities.

The policy sets out basic principles of cooperation with the constituent entities of the Russian Federation, which the Company follows, including strict compliance with law, corporate standards and business ethics, balancing of interests, corporate social responsibility, alignment with the regional context, openness and transparency, and anti-corruption measures.

The Policy defines the main areas of cooperation with government authorities, as well as with stakeholders, including

structural and economic (production), investment, environmental, scientific and technological, legal, social, organizational, and branding areas.

According to the Policy, the main forms of the Company's cooperation in the regions are cooperation agreements with constituent entities of the Russian Federation, participation in the production, economic and social development of the regions where it operates, participation in the rule-making process, information exchange and institutional cooperation with government authorities, as well as with stakeholders. Cooperation in these regions can also take other forms.

By supporting projects aimed at socio-economic development of Russia's regions, Rosneft is developing partnerships with local authorities, which, in turn, promote the Company's business in the region. Within the framework of this activity, the Company is planning to implement the following measures:

- Systemize and monitor the implementation of projects (funded by the Company) for construction, repair, equipment of and support social facilities in the regions of operation;
- Develop and implement the methodology, criteria and performance indicators for evaluating the effectiveness of regional projects financed by the Company;
- Develop and include the procedure for financing social projects in the Company charity standards.

PUBLIC HEARINGS ON THE RESULTS OF THE ENVIRONMENTAL IMPACT ASSESSMENT OF PLANNED ACTIVITIES

In accordance with Russian legislation, Rosneft conducts public hearings on the environmental aspects of planned activities in the regions where the Company operates. The main result of this interaction is to create favorable conditions for project implementation by the Company's subsidiaries, to remove obstacles caused by a lack of understanding by stakeholders of Company and actions taken in this end.

During the reporting year, the Company held 86 public hearings in 16 regions. Most of them were held in the Arkhangelsk Region (15), the Nenets Autonomous District (14), the Magadan Region (10), the Krasnodar Region (8) and the Sakhalin Region (8). Many of the issues raised were settled in the course of the hearings; answers to a number of issues were published, and in some cases, necessary adjustments were made to project documentation. Based on the results of the hearings, minutes were drawn up and public approval was received for project implementation.

In 2014, the Company focused on its offshore projects and 37 related public hearings were held in various regions, including the Arkhangelsk, Sakhalin, Tyumen, Murmansk and Magadan Regions, Krasnodar, Krasnoyarsk and Khabarovsk Territories and the Chukotka Autonomous District. For each of the projects, the Company presented the implementation procedure for discussion, as well as planned environmental safety measures.

STAKEHOLDER ENGAGEMENT IS ONE OF THE FUNDAMENTAL ASPECTS OF COMPANY'S POLICY FOR SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY.

ROUNDTABLE MEETINGS IN KEY REGIONS OF OPERATION

As part of the preparation of annual sustainability reports, the Company has held regular roundtable meetings in the key regions of operations activity since 2007. The company organizes meetings involving the following stakeholders: representatives of federal and municipal government authorities, partners and customers, non-governmental organizations, representatives of educational institutions, and the media. Such events make it possible to not only present the Report and results achieved by the companies over the previous year, but also provide an opportunity to hear the views of stakeholders and to discuss specific proposals for cooperation. Roundtable meetings also contribute to improvement of Company's positive reputation.

The eighth cycle of roundtable meetings took place in 2014, during which 13 roundtable meetings were held. Traditionally, these meetings were focused on:

- comprehensive presentation of the Company's and its subsidiaries' performance results in the regions where the Company operates;
- discussion of the role of Rosneft subsidiaries in the sustainable development of the region: economic, environmental and social aspects of cooperation and specific projects;
- discussions of mutual proposals of the region and Company subsidiaries on sustainable development cooperation;
- presentation of plans to improve the cooperation of subsidiaries and the regions where they operate.

Much attention during the meetings was paid to the support of local communities and to the development of education in the regions where the Company operates.



Roundtable meeting in Khanty-Mansiysk, 2014

REGIONS IN WHICH ROUNDTABLE MEETINGS WITH STAKEHOLDERS WERE HELD TO DISCUSS THE COMPANY'S SUSTAINABILITY PERFORMANCE

Region	City	Roundtable meetings in 2007–2013	in 2014
Altai Territory	Barnaul	1	–
Arkhangelsk Region	Arkhangelsk	5	+
Irkutsk Region	Angarsk	6	+
Krasnodar Territory	Krasnodar	4	–
	Tuapse	6	–
Krasnoyarsk Territory	Achinsk	2	–
	Krasnoyarsk	4	+
Orenburg Region	Orenburg	–	+
Primorsk Territory	Nakhodka	2	+
Republic of Komi	Usinsk	7	+
Republic of Udmurtia	Izhevsk	6	+
Samara Region	Novokuibyshevsk	1	–
	Samara	6	+
	Syzran	1	–
Saratov Region	Saratov	–	+
Sakhalin Region	Yuzhno-Sakhalinsk	7	+
Smolensk Region	Smolensk	3	–
Stavropol Territory	Stavropol	4	–
Khabarovsk Territory	Komsomolsk-on-Amur	5	+
	Khabarovsk	2	–
Khanty-Mansi Autonomous Region	Nefteyugansk	7	–
	Khanty-Mansiysk	–	+
Yamal-Nenets Autonomous Region	Gubkinsky	6	+



KEY TOPICS DISCUSSED AT THE ROUNDTABLE MEETINGS

The issues discussed at the roundtable meetings can be divided into several main topics listed below.

The development strategy of subsidiaries

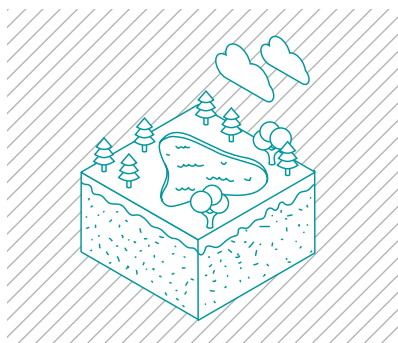
Rosneft is a major employer and taxpayer in the regions of its presence, the socio-economic development of which depends largely on the implementation of the Company's projects, therefore the development strategy of its subsidiaries is a traditional subject of discussion at the roundtable meetings.

Important issues for stakeholders include timely communication of Rosneft plans in relation to changes in production, development of new fields, reconstruction of oil refineries and infrastructure facilities, and development of a network of filling stations/ filling complex. This information is important for consideration of the region's and local community interests.

It was noted at the roundtable meeting in the Arkhangelsk Region that Rosneft is a responsible taxpayer that did not reduce its tax payments despite consolidation of taxation within the group.

In the Samara Region, the roundtable meeting was focused mainly on discussing the Company's achievements in production drilling, as well as plans for the development of new fields related to heavy oil production.

At the roundtable meeting in the Republic of Komi, participants reached a consensus on the need to be guided by the principle of economic feasibility, as well as commensurability of the site scale to the scale of the company when returning licensed areas to open acreage. The parties agreed that small licensed areas are mostly suitable for small companies that are members of the Association of Independent Producers.



Environmental Performance, Health and Safety

The most relevant issues in this area include minimizing the Company's environmental footprint, including prevention of pipeline ruptures, control over air emissions, the use of associated petroleum gas (APG), recycling of waste, and elimination of accumulated environmental damage, as well as land reclamation and reforestation initiatives.

Particular attention was paid to abandoned old wells inherited by Rosneft from previous subsurface users. In many cases, such wells become the property of territorial authorities; however, the Company remains responsible for their technical conditions and faces some problems because it does not have property rights to these wells.

Control over contractors is also one of the questions traditionally raised at the roundtable meetings. The Company discussed the possibility of cooperating with authorities and non-governmental organizations aimed at controlling the quality of work, as well as preventing such illegal acts as poaching and polluting areas.

Participants of the roundtable meeting in the Arkhangelsk Region expressed their wishes regarding cooperation of civil defence agencies. Because the Company's facilities are located near residential areas, it was proposed to use the Company's fire-fighting equipment to extinguish local fires.

In the Samara Region, special attention was paid to the quality of wastewater treatment, reconstruction of wastewater treatment facilities, recycling of accumulated oil sludge, and minimization of negative impacts on farming land. The Company also discussed the need to extend the petroleum product plume liquidation program in Rosneft subsidiaries under an agreement with the government of the Samara Region.

One of the findings of the eighth cycle of the roundtable meetings was understanding that the implementation of continuous long-term environmental monitoring by the Company did not receive sufficient information support. Improvement of communication will contribute to the strengthening of an efficient dialog between the Company and the regions where it operates.

Contribution to regional economic and infrastructure development

Roundtable meetings confirm that Rosneft ongoing projects give impetus to the development of local businesses, social services, human resources, and infrastructure, and help to increase the investment attractiveness of the regions.

The roundtable meetings held in 2014 covered the issues related to the construction by the Company of social facilities such as hostels, health resorts, recreation centers, hockey and football grounds, as well as refurbishment of schools and kindergartens.

In the Samara Region, it was noted that the development of sports, for which the Company received special recognition, was one of the main aspects of the social partnership between Rosneft and the region. The Company's participation made it possible to build playgrounds, purchase equipment, outfit athletes, and refurbish a hostel and a stadium, thereby increasing the number of people regularly involved in sports.

In the Yamalo-Nenets Autonomous District, there is lack of dormitories for

students in local technical school, which reduces the inflow of skilled professionals to the region.

The roundtable meetings held in the Saratov Region covered the Company's support of local health centers in order to provide employees in subsidiaries with more opportunities for health improvement.

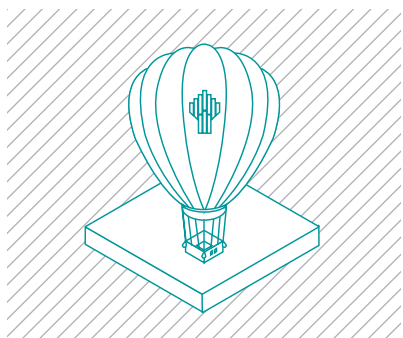
A separate concern of the parties was the sale of the Company's non-core facilities or their transfer to the region resulting in a potential reduction in their financing. Another important aspect is relations with local contractors; the expansion of cooperation with such contractors contributes to the development of regional enterprises.

Social protection and charity

Roundtable meeting participants approved the active involvement of Rosneft in the life in regions, including assistance to indigenous communities, organization of sports and recreational activities, construction of temples, and implementation of numerous charity projects.

In the Yamalo-Nenets Autonomous District, the Company discussed the provision of vouchers for treatment in local health centers to indigenous peoples of the North, as well as creation of an ethnic park in order to develop tourism in the region.

Various initiatives were proposed during the roundtable meeting in the Saratov Region, including installation of a monument to the natives of Saratov who



participated in the Battle of Stalingrad, publishing memoirs of veterans of the Great Patriotic War for the 70th anniversary of the Victory Day, as well as the Company's involvement in the work of Khvalynskiy National Park.

In the Sakhalin Region, representatives of regional and local authorities made a proposal to continue the program for resettlement of unviable villages. They also expressed concern about possible reductions of social project funding.

Education

An important topic of discussion at roundtable meetings is the involvement of Rosneft in the educational process, with the purpose of adapting future employees for the Company's production needs. Stakeholders are showing great interest in the Company's traditional educational projects; they are more actively involved in implementation of these projects' every year, and note a growing positive effect. The most important issues in 2014 were the efficiency of the program, expansion of opportunities for vocational training in national colleges, organization of staff retraining, and the Company's assistance in financing educational projects.

At the roundtable meetings in the Samara Region and the Primorsky Territory, parties emphasized the Company's important role in the educational process, development of Rosneft trainings, and promotion of research and development.

A concern in the Sakhalin and Arkhangelsk Regions was a reduction in the number of prospective students in specialized colleges and universities trained in oil and gas professionals. To address this situation, municipal authorities and RN-Arkhangelsknefteprodukt LLC decided to develop a professional training program at the Northern (Arctic) Federal University.

The stakeholders in the Khabarovsk Territory expressed the desire to organize joint training facility with the region on health, safety and environment issues.

IMPROVING THE FORMAT OF ROUNDTABLE MEETINGS

The roundtable meeting in the Sakhalin Region was held for the second successive year as a video conference with the towns of Okha and Nogliki. This expansion of the audience makes it possible to quickly identify urgent matters of stakeholder engagement of the Company's regional subsidiaries and find potential solutions.

In the Republic of Komi, a proposal was made to have roundtable discussions in the administration of the city of Usinsk, which could assist efficient cooperation with the city authorities for more successful implementation of the Company's sustainability policies in the region.



INNOVATION DEVELOPMENT

ROSNEFT AIMS TO BECOME THE WORLD'S TECHNOLOGY LEADER IN THE ENERGY INDUSTRY. IN ORDER TO ACHIEVE THIS GOAL, THE COMPANY IS CONSISTENTLY WORKING ON THE IMPLEMENTATION OF ITS INNOVATION DEVELOPMENT PROGRAM.

Under this Program, the Company is implementing major innovation projects, including long-term research and development (R&D), introduction of new technologies and modernization of the existing production processes and capacities. The total expenditure in innovations in 2014 exceeded RUB 170 bn, including (without limitation) R&D expenses, purchase of machinery and equipment required for technology innovations, purchase of software and personnel training. R&D financing in 2014 reached RUB 33.2 bn (0.6% of the Company's revenue) which was a 43% growth year-on-year. The expenses for Targeted innovation projects (TIP) and implementation of TIP technology totaled RUB 1.48 bn and RUB 9.25 bn respectively.

A focus in the reporting year was on R&D results, as well as securing intellectual property rights. Active development and implementation of new technologies allowed the Company to significantly

increase the number of applications for patents and know-how. Rosneft formed and filed 65 patent applications and certificates for design inventions as a result of its innovation-oriented activities in 2014, which increased the total number of owned patents to 465.

As part of the new technology system and pilot testing, the Company organized work on testing, adaptation and implementation of advanced technologies to identify key technology characteristics and conduct a feasibility and performance evaluation of their application in the geotechnical conditions of the Company. The Company introduced 123 technologies with a total investment of RUB 13.8 bn in 2014 based on the results of new technology system and pilot testing projects in 2011-2013. In 2014, the economic effect of testing and implementation amounted to RUB 1,804.3 mln with additional oil production of 2,039.7 thousand tonnes.

>170

**BILLION RUBLES –
2014 EXPENDITURE
IN INNOVATIONS**

123

**TECHNOLOGIES
INTRODUCED**

1804.3

**MILLION RUBLES –
ECONOMIC EFFECT
FROM TESTING AND
INTRODUCTION OF NEW
TECHNOLOGIES**

2039.7

**THOUSAND TONNES
OF ADDITIONAL OIL
PRODUCTION**

INTRODUCTION AND TESTING OF NEW TECHNOLOGIES IN 2014

Indicator	2014
Number of new technologies tested, units	126
Number of technologies introduced based on the test results, units	123
Additional oil production based on test results and introduction of new technologies, thousand tonnes	2 039,7
Economic effect from testing and introduction of new technologies, RUB mln	1 804,3
Number of patents (total), units	465

In 2014, the Company continued implementation of its ambitious program for modernization of oil refineries, which covers the period up to 2016. More details on refinery modernization are provided in the Environmental Safety chapter (p. XX).

The Company implements the following innovation projects in various areas, including oil and gas production, oil refining and petrochemicals. Some examples of projects are shown in the boxes.



Successful implementation of the GTL technology by Rosneft is an important step to improve the efficiency of gas processing technologies, as well as to expand the resource base of the Company's oil refineries and petrochemical plants

Implementation of the Development of GTL Technology Innovation Project

In 2014, Rosneft continued to develop technologies for processing natural and associated petroleum gas into synthetic crude oil directly in the fields. These technologies are designed to reduce flaring of associated gas in remote fields where there are no consumers and where ties-in to main gas pipelines would require major investments.

The project assumes two types of solutions. GTL-1.5 technology is designed to produce synthetic crude oil with the use of the Fischer-Tropsch method, which makes it possible to produce high added-value components for motor fuels and petroleum products. GTL-2.0 technology is aimed at direct aromatization of methane followed by hydrogenation of a mixture of aromatic hydrocarbons to produce synthetic crude oil and motor fuel components.

In 2014, as a part of the project a number of laboratory methodologies and procedures were prepared, a compact high performance Fischer-Tropsch synthetic catalyst and catalyst and method of methane aromatization were developed.

The Angarsk Plant of Catalysts and Organic Synthesis (AZKIOS OJSC) produced its first pilot Fischer-Tropsch synthesis catalysts. Today, AZKIOS OJSC is the only company in Russia producing the catalysts on a commercial scale. A domestic production technology was developed as part of the Company's Innovation Development Program, by scientists from United Research and Development Center LLC (RN-RDC LLC). Produced domestic catalysts allow to effectively process natural and associated gas into synthetic hydrocarbons; they

were successfully tested in laboratory and proved to be highly productive.

The innovative industrial production technology for the catalysts will enable Rosneft to complete construction of Russia's first GTL pilot plant to be built on the Novokuibyshevsk refinery platform in 2018. The results of testing at the GTL PP will become the basis for the construction of industrial plants for processing associated gas into synthetic oil and synthetic fuel components, including aviation fuel.

Financing in 2014 amounted to RUB 141.2 mln. Overall, investments in R&D have amounted to RUB 250.4 mln since the beginning of the project implementation. The Company is planning to continue development of GTL technologies in 2015–2016.



Project for Development of a New Generation Solar Panels Based on Metal Oxide Mesostructures

The Company and the Emanuel Institute of Biochemical Physics of the Russian Academy of Science and the Lomonosov Moscow State University (MSU) are conducting a series of fundamental technology studies to develop and improve third generation thin film

metal oxide solar cells as part of an alternative energy study. As a result, the Company received two patents for its inventions of Bilateral Solar Photo Converter and Tandem Solar Photo Converter. Company specialists conducted a series of metrological studies

of solar activity and of the conversion efficiency of solar energy depending on the time of year and weather conditions at research benches in Moscow and Sochi developed in cooperation with the Russian Academy of Sciences.

COOPERATION WITH LEADING UNIVERSITIES AND INTERNATIONAL COOPERATION

Under its Innovation Development Program Rosneft collaborates with colleges and universities. Joint work is conducted with the Gubkin Russian State University of Oil and Gas, MSU, Tomsk Polytechnic University, Siberian Federal University, and Moscow State Institute of International Relations (MGIMO). In 2014, the Company signed a strategic cooperation agreement with the St. Petersburg Academic University (scientific and educational center of nanotechnologies

at the Russian Academy of Science) and the Foundation for Support of Education and Science (Alferov's Foundation). The Company also signed a scientific and technical cooperation agreement with Eastern Petrochemical Company CJSC and the Far Eastern Branch of the Russian Academy of Sciences.

Rosneft and General Electric signed a technological cooperation agreement at the St. Petersburg International Economic Forum in 2014 for developing initiatives to establish a R&D center, which includes an agreed mechanism of entering into separate contracts for the implementation of targeted R&D. Thus,

a project-based approach to R&D center activities would significantly increase the potential of co-financing scientific and technical developments, as well as joint research projects. The work of the research center will focus on improving existing and developing new joint technologies, the use of which will become possible through the partnership.

Active research work is being conducted by the Arctic Research and Development Center, which is a joint venture of Rosneft and Exxon Mobil. More details on the Center's activities are provided in The Company in 2014: General Information chapter (p.XX).

Current Geology Issues during Estimation of Hydrocarbon Reserves and Resources Workshop

A corporate scientific and practical workshop on Current Geology Issues during Estimation of Hydrocarbon Reserves and Resources was held in October 2014 at the Tyumen Petroleum Research Center (TPRC LLC) in Tyumen. The main objectives of the workshop were the discussion of best practices, sharing the best practices within the Company, as well as determination of future areas for estimation of hydrocarbon reserves and resources. The event was attended by 97 experts from 19 corporate R&D institutes and explora-

tion and production subsidiaries enterprises (subsoil users). The participants presented 31 reports. The seminar covered a wide range of issues related to the reserves estimation, including difficult-to-recover reserves and those produced from unconventional reservoirs. The Company is planning to continue holding such seminars and publish the best reports in the Scientific and Technical Bulletin of Rosneft.





IMPROVEMENT OF SECTORAL INNOVATION MANAGEMENT STANDARDS

Rosneft systemically works on enhancing innovations. The Company is developing appropriate management standards, as well as technological methods.

In 2014, based on world's best practices, the Company drafted Corporate Standard for Innovation Performance Management which is expected to be extended to other types of businesses and which could be offered as an industry standard for Innovation Performance Management to companies working in the fuel and energy sector of the Russian Federation.

PROCESS STREAMLINING AND RATIONALISATION

Process improvement and rationalisation activity in the Company is carried out in accordance with the Company's Process Streamlining and Improvement and Invention Standard.

Rosneft received 757 proposals from 1,156 developers in 2014, and 362 proposals were accepted as improvement proposals, while 243 proposals were implemented in the Company's production activity. The developers of improvement proposals received monetary rewards. The actual economic result from the use of rationalisation in 2014 amounted to RUB 2.2 bn.

IN 2014 ROSNEFT RECEIVED

757
PROPOSALS FROM
1156
DEVELOPERS

2.2
BILLION RUBLES –
ECONOMIC RESULT
FROM THE USE OF
RATIONALISATION
PROPOSALS



OCCUPATIONAL HEALTH AND SAFETY

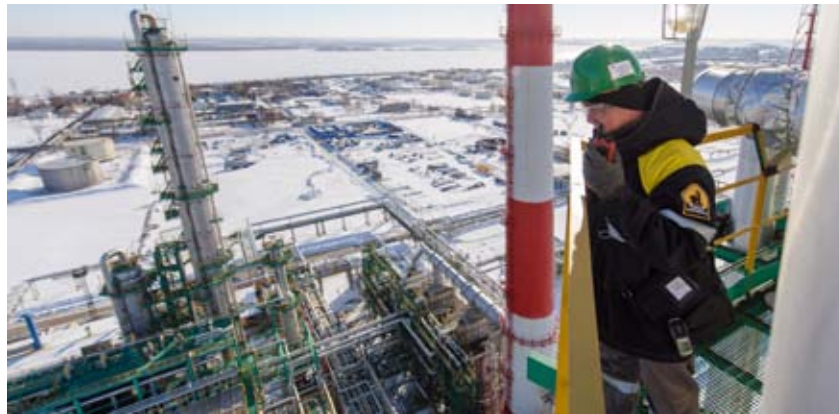
DEVELOPMENT OF THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

Following the principle of social responsibility and understanding the importance of occupational health and safety, Rosneft strictly complies with statutory requirements in this area and improves corporate standards in line with the world's best practices.

The Company is focused on strict compliance with the OHS requirements by all of its employees and contractors which is reflected in the Golden Rules of Workplace Safety developed by the Company, which promotes accountability of employees for both their own life and health, and the life and health of their colleagues. The Instruction Golden Rules of Workplace Safety and the Way of their Delivery to Employees was approved and put into effect by the Company in January 2014.

In 2014, OHS aspects were documented in the Rosneft Development Strategy. The Company also drafted a strategic document aimed at improving its safety performance which contains more detailed plans of the Company in this area, in particular, the Company's targets in the field of personal injuries in the mid- and long-term. The approval of the document is planned for 2015.

The Company initiated updating of its HSE Policy in the reporting period and made a decision to develop separate documents: OHS Policy and Environmental Safety Policy. The main areas for OHS Policy update are associated with the expansion of the Company's operations in relation to the integration of new assets and globalization of its business, the need to comply with new statutory requirements, development of the safety culture and leadership skills of managers in the field of safety, as well as implementation of health and safety activities with regard to employees.



Significant changes occurred in the HSE management structure in 2014. The Company introduced a new position of Vice President for Health, Safety, and Environment. Rosneft developed a three-level system of HSE management (1st level – Rosneft corporate center; 2nd level – business segments, 3rd level – Company subsidiaries) in order to improve the policy, reduce occupational injury rate and create an accident prevention system at the Company's facilities.

Independent HSE divisions were formed in the following key business segments: Exploration and Production (including offshore projects), Refining and Petrochemicals, Commerce and Logistics, and Gas Assets Management. Managers of new divisions report directly to the top managers of the business segments and are fully responsible for observance of the federal law requirements and corporate regulations in the HSE area in supervised subsidiaries.

Rosneft traditionally pays much attention to personnel training. In 2014, as part of HSE and emergency preparedness training, the Company held 210.5 thousand man-courses.

One of the important results in the reporting year in the field of occupational health was the development and launch of Rosneft Program of Safety Culture and Leadership Improvement in the field of

OHS, the activities of which are mainly designed for the long-term period. The program covers all levels of Company management, from the corporate center to the personnel directly dealing with dangerous situations in operations.

The main objective of the Program is a fundamental change in the attitudes towards OHS, significant improvement of occupational health and safety culture in the Company, and achievement of personal informed leadership on safety issues.

An important role in the Program is assigned to the labor union organizations of subsidiaries, the participation of which involves:

- revitalization of health and safety inspectors of primary labor union organizations in the subsidiaries of the Company;
- training for health and safety inspectors;
- involvement of union organizations in the inspection of the Company's production facilities conducted by Rosneft OHS commissions;
- competition for the title of Best health and safety inspector of primary labor union organizations of Rosneft;
- competition of health and safety inspectors at subsidiary level.

BEING A LEADER IN THE OIL AND GAS INDUSTRY OF THE RUSSIAN FEDERATION AND ONE OF THE LARGEST COMPANIES IN THE GLOBAL FUEL AND ENERGY INDUSTRY, ROSNEFT IS FULLY AWARE OF ITS RESPONSIBILITY FOR ENSURING ACCIDENT FREE PRODUCTION ACTIVITIES, SAFE WORKING CONDITIONS FOR PERSONNEL, AND MAINTAINING THE HEALTH OF THE POPULATION LIVING IN THE REGIONS WHERE THE COMPANY OPERATES.

Program of Safety Culture and OHS Leadership

The program includes the following areas:

- development and implementation of activities to promote the idea of safe and accident-free workplace;
- creation and introduction of an incentive system for employees of the Company and contractors;
- development and implementation of mechanisms to continuously support and improve workplace safety, prevent incidents and reduce risks of accidents;
- development of practical skills of managers at production facilities for

the implementation of OHS global best practices;

- development of an OHS knowledge and experience sharing system for Rosneft companies;
- formation of OHS committees and organization of their work;
- formation of a medical services system;
- organization of emergency medical care at production facilities;
- development and implementation of profession admission rules;
- maintenance of the compliance with

health and hygiene standards in the workplace, as well as at production and personnel facilities;

- monitoring of the use of special clothing and personal protective equipment;
- provision of employee voluntary medical insurance and voluntary accident insurance;
- implementation of medical and preventive programs and promotion of healthy lifestyle.

The Company continues to use the Integrated Health, Safety and Environmental Management System (IHSEMS). The Company successfully audited compliance with the international OHSAS 18001:2007 standard in 2014; based on its results the auditor confirmed efficient implementation, maintenance and improvement of IHSEMS. By end of 2014, the Certificate of Compliance with the OHSAS 18001:2007 standard remained effective in 69 Company subsidiaries.

In order to improve the existing industrial safety management system, the Company decided to invite independent experts in 2015 for evaluation and development of the Company's industrial safety standards for hazard-

ous production facilities. The Company also will engage BP representatives to conduct expert evaluation of the current management system to meet global best practices. The result of these projects will be expert reports on how to improve the existing system.

In 2014, the OHS Department continued to automate OHS business processes, including data collection and analysis of accidents. The Company is planning to start trial operation of the system at eight pilot sites in 2015. This work would allow the Company to build the OHS events into the business planning process, and to promptly receive and analyze all relevant industrial safety information.

Rosneft annually increases the amount of funding it allocates for the implementation of all planned activities in order to improve the OHS system. Total expenditures on the Company's OHS activities in 2014 amounted to RUB 6,620²⁷ mln, which is 33% more than 2013.

Rosneft is actively involved in the Scientific and Technical Council under the Russian Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor) and the Industrial Safety Committee of RSPP. As part of this cooperation, the Company's specialists contribute to improvement of the Russian OHS regulations.

6620

**MILLION RUBLES –
THE TOTAL EXPENDITURES
ON OHS ACTIVITIES**

²⁷ Additionally, RUB 11,679 mln was spent in 2014 on corrective actions according to orders of regulatory authorities, bringing hazardous industrial facilities into compliance with industrial safety requirements, technical diagnosis, industrial safety assessments and employee training.



Participation of Rosneft Subsidiaries in Regional and Territorial Contests for the Best Organization of Occupational Health and Safety

In 2014, Kuibyshev Refinery OJSC and Udmurtneft OJSC took awards in the Russian Organization of High Social Efficiency regional contest in the category

For the Reduction of Occupational Incidents and Occupational Diseases in the Industrial Sector. Kuibyshev Refinery OJSC took first place in the category

Best Company to provide Safe Working Conditions in the Industrial Sector in the Samara Region.



Kuibyshev Refinery, compressor unit driver Anton Zhedelev



Udmurtneft, operator of a dewatering and desalting unit Alexei Zamaraev

COMPANY'S OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE IN 2014

OCCUPATIONAL HEALTH

Significant growth due to the acquisition of assets has become the characteristic of the Company's development over the past three years, as a result the number of employees of Rosneft has increased from 169.3 thousand people in 2012 to 243.0 thousand people in 2014. This

growth has also reflected in the gross occupational incidents indicators. By the 2014 year-end, Rosneft recorded 103 injuries entailing 149 people were injured with 18 fatalities. Due to the nature of the production process, the highest number of injuries occurred in the Commerce and Logistics and Exploration and Production business segments. In the reporting period, 94 occupational injuries with contractor employees were recorded at the facilities of Rosneft; 97 people were injured, of whom 19 died.

To ensure the comparability of the data information on incidents is given in ratios and historical data on new assets are presented in the appendices to the sustainability reports 2014 and 2013.

OCCUPATIONAL INCIDENTS AT THE COMPANY AND AT ITS CONTRACTORS

Indicator	2012	2013	2014
Total number of occupational injuries, persons	46	92 ²⁸	149
including fatalities	6	9	18
Total number of occupational injuries at contractor companies, persons	–	70	97
including fatalities	–	15	19
Occupational fatality rate (cases per 100 mln hours worked)	2.02	2.14	3.98
the same, per 1 mln hours worked	0.020	0.021	0.040
Occupational injury rate (injuries per one mln hours worked)	0.155	0.219	0.330
the same, per 200 thousand hours worked	0.031	0.044	0.066
Road accident injury rate (injuries per 1 mln km of mileage) ²⁹	–	0.075	0.053
excluding injuries due to the fault of third party	–	0.020	0.005
Lost days rate (days lost due to work-related injuries and occupational diseases per 1 mln hours worked)	10.900	10.874	12.015
the same, per 200 thousand hours worked	2.180	2.175	2.403
Occupational diseases rate (total number of identified occupational diseases per 1 million hours worked)	0.15	0.045	0.097
the same, per 200 thousand hours worked	0.030	0.009	0.019

Analysis of the injuries that occurred at Rosneft showed that the main types of injuries were falls, heavy impact of objects and mechanisms and road accidents. Among the key causes of personal injuries, the Company found unsatisfactory organization of work, violations of traffic rules, personal carelessness and violation of safety requirements by em-

ployees during the work, including non-use of personal protective equipment.

The reasons for the growth of incidents in 2014 were the incorporation by the Company of acquired service companies with a higher occupational incidents level, as well as accidents with fatalities.

²⁸ Previously reported data for 2013 have been restated.

²⁹ Information on vehicle kilometers for 2013 is given only for transport of RN-Service LLC; for 2014 – for the entire Company.



As a result of analysis of the injuries causes the Company has identified reduction of injuries associated with falls as its priority. For this purpose, in the reporting period the Company identified all standard workspaces with a risk of personnel falling in its subsidiaries, as well as conducted an examination of actual workspaces and individual protection means against falling. The Company is closely monitoring the implementation in each subsidiary of the Action Plan for Addressing the Identified Discrepancies developed based on the survey results.

Another important aspect of Rosneft activity at OHS improvement are measures aimed to reduce occupational incidents among its contractors. Representatives of OHS services in the subsidiaries performed daily monitoring of contractors' facilities, as well as periodic inspections of compliance with the requirements of OHS legislation of the Russian Federation. They carried out 23,489 such inspections in 2014; the sum of collected fines amounted to RUB 119.5 mln.

In 2014, the Company started work on the revision of the Standard Regulating Relations with Contractors, according to which more strict OHS requirements will be imposed on contractors. Information on the requirements will be delivered to the contractors at the stage of their selection.

Accident-Free Offshore Operations in Vietnam

A significant event took place in a Rosneft subsidiary, Rosneft Vietnam BV, on June 22, 2014, when an important achievement was made: the subsidiary reached 12 years straight of accident-free offshore production activities in Vietnam. The Company

did not register a single case of personnel disability during the specified period. This result is one of the best in the industry, and it was noted by the state company, KNG Petrovietnam, as well as by the Ministry of Trade of Vietnam.

INDUSTRIAL SAFETY

Rosneft conducts systematic work on the prevention of accidents at production facilities, taking necessary measures to reduce the accident rate. The Company sends information sheets to its subsidiaries, including Lightning and Lessons Learned from Accidents sheets, with a description of accidents and corrective action plans for review by personnel in order to prevent similar accidents. The Company regularly holds meetings dedicated to the analysis of causes of accidents and prevention of their recurrence.

The Company maintains a systematic control of industrial safety. In 2014, the Company conducted 41,206 inspections of industrial safety in its subsidiaries, including inspections exercised by the Company's Production Control Commission in accordance with the Company Regulations on the Procedures for Operational Control over Health, Safety, and Environment, as well as targeted and random inspections.

The Company is continuously monitoring the elimination of violations identified by the Company's Production Control Commission and State control and supervision agencies (Central office and regional committees of Rostekhnadzor, Prosecutor's Office, etc.). In the process of business planning, the Company provides appropriate funding for all corrective actions.

41206

OHS INSPECTIONS WERE CARRIED OUT IN THE SUBSIDIARIES IN 2014

HSE Performance of Rosneft Subsidiaries in the First Half of 2014 (offsite meeting)

In June 2014, an HSE meeting was held at Angarsk Petrochemical Company OJSC, which was attended by the heads of Rosneft departments, general directors and chief engineers of production, refining and distribution enterprises, representatives of design institutes, Russian and foreign organizations, as well as HSE managers.

The guests visited the Angarsk Petrochemical Company training grounds, where they could see damage control and recovery exercises. The emergency situation modeled during the exercise was as close to reality as possible.

Over 120 employees and 22 equipment units were involved in the exercise. The

participants took correct actions to eliminate emergencies involving fires and oil spills. The experience gained at Angarsk Petrochemical Company was shared with all Rosneft subsidiaries, which is another step towards the introduction of advanced work organization methods aimed at accident-free operation of the Company's hazardous production facilities.

ACCIDENTS AT ROSNEFT FACILITIES

A total of 10 accidents occurred at Company's facilities in 2014. The two largest accidents occurred at Ryazan Refining Company CJSC and Achinsk Refinery VNK OJSC. These events are covered by comprehensive property and business interruption insurance contracts.

Accident at Ryazan Refining Company CJSC

On February 12, 2014, as a result of an uncontrolled entry of fourteen rail tank cars to the Ryazan Refining Company site, the gates were broken and tank cars collided. Process pipelines and tank cars were damaged, which resulted in their depressurization, leakage of combustibles, and a fire across an area of 0.4 hectares, with an explosion of tank cars and complete production shutdown. The fire was extinguished within 11 hours of the onset of the accident. No one was injured in the accident.

The accident was caused by a violation of the established norms of securing rolling stock, excess of the permissible train capacity at the storage track, and use of the railway track not in accordance with its specifics and functional purpose.

Accident at Achinsk Refinery VNK OJSC

There was an accident classified as an emergency situation at Achinsk refinery VNK OJSC on June 15, 2014. Depressurization of an overhead gas line during the startup works after overhaul resulted in an uncontrolled release and distribution of the gaseous phase of petroleum products, followed by a fire and explosion of a fuel-air mixture with a subsequent fire that spread over an area of 400 m². The explosion and fire killed 8 people, with 29 people receiving injuries of varying severity. Achinsk Refinery VNK OJSC industrial buildings were completely destroyed, and equipment of one of the sections was damaged. As demonstrated by expertise, the accident was caused by depressurization of horizontal pipelines as a result of corrosive wear caused by low-temperature hydrogen-sulfide corrosion when exposed to hydrogen chloride; poor control over pipeline operation safety; as well as the lack of production control over necessary tests and technical examinations.

In June and October 2014, in cooperation with the Government of the Krasnoyarsk Territory and the General Directorate of Ministry of Emergency Situations in the Krasnoyarsk Territory, the Company set

up Operational Headquarters responsible for emergency response and process restoration. Operational measures taken within the shortest time enabled the Company to perform rescue at the initial stage followed by restoration of the pre-accident operation mode and production capacity of the plant.

Rosneft President personally controlled provision of assistance and social support to the families of the employees who died and were injured in the accident. Each family left without a breadwinner received personal subsistence and guarantees, which in addition to monthly subsistence payments, included payments for children's education in pre-schools, free vouchers for health resort treatment, vacation in summer camps, assistance with debt repayment, and other support. Today, the Company made all necessary payments to the suffered. Since the insurance of the risks was carried out on time and in full, it is expected that losses incurred by Rosneft will be covered by insurance companies in accordance with their obligations under the existing policies. Currently the Company is undergoing loss settlement procedure.

ACCIDENTS AT ROSNEFT FACILITIES

Indicator	2012	2013	2014
Number of accidents, cases ³⁰	1	3	10
including with environmental consequences ³¹	0	1 ³²	0
Number of fire, cases	5	22	18
Number of incidents and accidents, involving gas, oil and water inflows and blowouts, cases	4	10	6

³⁰ The number of accidents excludes accidents involving gas, oil and water inflows and blowouts.

³¹ According to the classification of Rospirodnadzor. Environmental implications occur in the event of environmental damage outside the production site.

³² Previously reported data for 2013 have been restated. An environmental accident at Samotlorneftegaz OJSC, which resulted in a spill of substance over 0.187 hectares, was included.



FIRE SAFETY

The Company's large-scale efforts on developing and implementing measures for the prevention of violations primarily related to non-observance of electrical equipment operation and installation rules resulted in an 18% decrease in the number of fires versus 2013.

In 2014, the Company continued the planned implementation of the Targeted Program of Modernization and Equipment of Fire Safety System, including the purchase of 53 units of modern firefighting equipment, 90 units of fire extinguishing and technical equipment, and 201 tonnes of film-forming foam. In 2015, the Company is planning further expansion of the Program.

In order to raise awareness among personnel about fire safety rules, the Company introduced Regulations on the Procedure for Fire Safety Measures Training of the Company's Personnel in 2014. Subsidiaries hold Safety Hours, which cover the fire safety issues.

The Company also conducts meetings with the General Directors and heads of HSE departments of subsidiary companies devoted to the fire safety issues and improvement of resistance of the facilities to fire. Traditionally as part of the meetings, demonstration exercises are held at the facilities of a subsidiary receiving the meeting.

The total fire and radiation safety expenses of Rosneft in 2014 amounted to RUB 10,828 mln, which is 17% higher than the amount in 2013.

In addition, the Company spent RUB 1,017 mln on blowout safety measures (including gas safety service).

Upgrading the Special Vehicle Fleet of Kuibyshev Refinery OJSC

Kuibyshev Refinery OJSC received new firefighting equipment in 2014. Five road tank vehicles, a command car and a pump station joined the fire safety and accident rescue operations arsenal.

The received technique has a number of advantages: All vehicles are assembled based on a KAMAZ truck, combat crew and pump compartments are equipped with independent heating systems, and the tank volume is increased to 7 thousand liters. The capacity of fire pumps makes it possible to deliver fire-extinguishing agents in

an amount of up to 70 liters per second. The tanks and vehicle compartment fittings are made of stainless steel and aluminum, improving the equipment's anti corrosion properties and prolonging its life. The road tank vehicles are equipped with the latest fire extinguishing equipment. Manual water and foam firefighting hose nozzles are designed to deliver solid and spray jets of low expansion at a rate of 2 to 8 liters per second.



18% -

DECREASE IN NUMBER
OF FIRES VERSUS 2013

10828

MILLION RUBLES -
FIRE AND RADIATION
SAFETY EXPENSES
IN 2014



EMERGENCY PREPAREDNESS

Within the implementation of Rosneft Policy on Emergency Prevention and Response, the Company introduces modern methods to reduce risks and ensure timely response to accidents. The Risk Management Information System project, developed in 2014, will integrate information and analytical systems, organizational and technical resources of the Company in terms of collecting and processing information on deviations in the production processes, as well as natural and man-induced threats and emergencies.

The result of the first stage of the project, which began in 2014, was the development of the Technical Design Assignment and selection of a service provider; this made it possible to start the design of Information System infrastructure, create equipment specifications and the budget for the construction, architectural and furnishing works, which are planned to start in 2015. The first stage of the Project will cover the duty

dispatcher services of the Central Office of the Company and its four subsidiaries; the next stage of the Project will include 40 major subsidiaries of the Company. The introduction of a Risk Management Information System in 2016 will make it possible to perform the integration of all duty dispatcher services of subsidiaries into a single emergency management loop based on the existing technical capabilities.

An important role in the work of the Company is played by the Situation Center for Crisis Management (SCCM); one of the main activities of which in 2014, was to improve the corporate standard system of Rosneft in the area of civil defense, emergency prevention and relief. The most important documents developed were the Civil Defense Policy and the Regulations on the Company Subsystem in the Unified State System for Emergency Situations Prevention and Response. As a result, today the Company has established a Civil Defense and Emergency Prevention (CDEP) corporate framework, which fully meets current

requirements set at the federal level.

During 2014, in the course of regular inspections, the Company organized quality control of activities carried out by subsidiaries for emergency prevention. The SCCM experts inspected the status of CDEP issues in 28 subsidiaries of Rosneft. Targeted work of the SCCM center, aimed at methodological support of subsidiaries at the preparatory stages for the inspections and audits by Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM) supervisory bodies, made it possible to completely eliminate penalties related to CDEP issues.

COMPANY PERFORMANCE IN THE FIELD OF EMERGENCY PREVENTION, RUB MLN

Indicator	2012	2013	2014
Expenses for emergency prevention and response	2,102.6	2,970.0	3,889.6
including financial and material reserves	1,068.0	1,507.8	1,662.4
including supporting professional rescue units	1,034.6	1,462.2	1,878.2
including emergency response	0	0	349

Rosneft registered one emergency situation at Achinsk Refinery VNK OJSC in 2014. In order to minimize the consequences of emergencies the Company pays more attention to training of workers involved in the accidents and incidents prevention and response.

The Company's Situation Center for Crisis Management organized and held command post emergency training exercise in March 2014, aimed at preparing subsidiaries for accident-free functioning in the period of spring floods of 2014, as well as for emergency response of

management bodies and rescue services when necessary. The Company conducted an exercise with structural units of Rosneft in October on the organization and conduct of civil defense, and in December fulfilled the task of preparing for accident-free functioning in the winter.



The Company's subsidiaries conducted 420 exercises in 2014 for preparation for emergencies, accidents and incidents, including those associated with spills of oil and oil products, which were attended by over 20.5 thousand employees from subsidiaries, contractors and emergency units of third parties.

The Company held the first educational session in its history with the personnel of Rosneft subsidiaries on CDEP in July 2014, which included exercises on the organization of an Emergency Prevention and Fire Safety Commission and Operational Headquarters at subsidiaries, as well as a special tactical exercise of a facility-based unit of the Unified State System for Prevention and Response to Emergency Situations of Samaraneftgaz OJSC, and of a territorial subsystem of this system on accident management at production facilities in the Samara Region.



RELIABILITY OF PIPELINES

Rosneft pays great attention to ensuring the safe operation of its pipelines and minimization of environmental risks. The Company has been implementing its major Pipelines Reliability Improvement Program for seven years. The Company approved a new version of the Program for 2015–2019 in 2014, which features the following updated goals of program implementation:

- minimization of the negative impact of hazards on human health, reduction of environmental and reputational risks of the Company;
- elimination of critical risks associated with the operation of the Company's pipeline system;
- operational efficiency increase by losses reduction and costs optimization;
- provision of security systems to field and main pipelines at all stages of exploitation;
- updating the evaluation system of ongoing activities under the Pipelines Reliability Improvement Program.

As a result of the Pipelines Reliability Improvement Program implementation, pipeline accidents decreased by 9.4% compared with the previous period. The total number of ruptures in 2014 amounted to 9,450, including 6,048 oil spills. The amount of oil spilled in 2014 was 903 tonnes, which is below the previous year's figure by 112 tonnes.

420

EMERGENCY RECOVERY EXERCISES CONDUCTED IN SUBSIDIARIES

~19

THOUSAND KM OF PIPELINES UNDERWENT DIAGNOSTICS AND EXPERTISE FOR PRODUCTION SAFETY

14.8

BILLION RUBLES INVESTED IN IMPLEMENTATION OF THE PIPELINES RELIABILITY IMPROVEMENT PROGRAM

The reduction of the number of accidents at the main pipelines in the reporting period was due to annual systematic work in this direction, including the implementation of a program for reconstruction and repair of the Company's existing pipelines, their inhibiting, as well as due to diagnostic work. Nearly 19 thousand km of pipelines underwent diagnostics and expertise for production safety in the reporting period; the cost of these measures amounted to about RUB 0.5 bn. Much attention was paid in 2014 to pilot tests of new chemical treatment methods, and development of requirements for the rational use of material and

technical resources in the anti-corrosion protection of pipelines.

In total, the Company invested RUB 14.8 bn in implementation of the corporate Pipelines Reliability Improvement Program in 2014, which is 5% higher than in 2013.

As in previous years, Rosneft uses the most modern innovative methods of pipeline inspections for the detection of defects and oil spill response in the shortest possible time. The Company is planning to continue pilot usage of air drones for additional monitoring and

assessment of technical condition of the pipelines in two regions of its operation in 2015.

The Company continues to work on building a unified approach to registration and locking down ruptures. For this purpose, the Company is using the Rupture and OIS Pipe software systems, making it possible to conduct automated registration of all cases of failures. Twelve subsidiaries used the OIS Pipe system by the end of 2014, and the Company is planning to further introduce the system to another five subsidiaries in 2015.

PIPELINE RAPTURES AND RELATED OIL SPILLS

Indicator	2012	2013	2014
Total number of pipeline ruptures (field oil, gas, and water pipelines), units	10,279	10,425	9,450
Number of pipeline ruptures per one mmt of oil and gas condensate production	84.3	50.4	46.1
Number of oil pipeline ruptures involving spills, units	6,793	6,782	6,048
Spilled oil and petroleum products			
due to pipeline ruptures, tonnes	1,152	1,015	903
Spilled oil and petroleum products due to pipeline ruptures per one mmt of oil and gas condensate production	9.4	4.9	4.4
Pipeline rupture rate, per km	0.26	0.17	0.15

PIPELINES AND PROTECTION MEASURES, KM

Indicator	2012	2013	2014
Total length of field pipelines	55,175	83,245	84,352
Total length of operational field pipelines at the end of the period	39,409	61,006 ³³	61,481
Field pipeline modernization and repairs	681	1,120	1,140
Corrosion inhibition of field pipelines	9,404	21,261	22,713
Pig cleaning of field pipelines	6,727	10,141	11,016
Inspection and safety assessment of field pipelines	8,864	15,923	18,991

³³ Data have been restated.



ENVIRONMENTAL SAFETY

ENVIRONMENTAL PROTECTION AND SAFETY ARE AMONG ROSNEFT TOP PRIORITIES.



DEVELOPMENT OF THE ENVIRONMENTAL MANAGEMENT SYSTEM

To ensure best performance in this area, the Company constantly develops approaches to environmental management, and increases the scale of environmental activities and environmental funding.

In 2014, Rosneft Board of Directors set the strategic goal of becoming a recognized environmental leader among global oil and gas companies by 2030, as part of the approved Development Strategy and Long-Term Development Program. The Company's environmental performance indicators through 2018 were defined in the course of preparation of the Long-Term Development Program. The initial results of the completion of performance objectives for key environmental indicators were analyzed in 2014. Overall, the performance targets were achieved for most indicators in the reporting period. At the same time, further work is required to achieve the targets in terms of accumulated oil sludge at the end of the period for the Refining and Petrochemicals business segment, oil sludge treatment from continuing operations for the Exploration

and Production and the Commerce and Logistics business segments, and reduction of emissions exceeding established limits for all business segments.

Data on the achievement of the targets in 2014 and updated environmental performance targets through 2018 are given in Annex 2 to this Report.

The Company drafted corporate regulations on environmental safety in 2014, which are scheduled to be implemented in the coming year. These include Environmental Policy, IHSEMS Standard, Golden Rules of Environmental Safety and other documents aimed at improving environmental culture and leadership.

The issue of several Regulations that govern the Company's business processes related to environmental safety planning and reporting, monitoring and control, conducting of internal audits, and execution of corrective and preventive actions is scheduled for 2015. New requirements are to be introduced in the area of offshore environmental compliance, contaminated land remediation, and contractor relations.

The IHSEMS has been operating in the Company since 2006 and is audited on

an annual basis for compliance with the International Environmental Management Standard ISO 14001:2004. In 2014, Veritas Bureau Certification conducted its regular supervisory audit for IHSEMS compliance with ISO 14001:2004. Its findings confirmed the effectiveness of the operating management system. A total of 45 subsidiaries of the Company are certified in accordance with this standard.

To ensure compliance with the environmental legislation, the Company operates a multi-tier system of internal operational control that provides for timely prevention, identification and countering environmental non-compliances, as well as planning actions to eliminate identified non-compliances.

The total capital expenditure on environmental protection in 2014 amounted to RUB 36.9 bn. Apart from Rosneft's Targeted Environmental Program and Environmental Legacy Program, projects that have a significant environmental effect will be financed within the framework of the Investment Gas Program and Pipeline Reliability Improvement Program.



Compliance with Environmental Requirements While Executing Offshore Projects

The Universitetskaya-1 exploration well in the East-Prinovozemelskiy-1 license area of the Kara Sea, a joint project with ExxonMobil, was drilled in 2014 in compliance with all technological and environmental requirements. The well was drilled in open water, 250 kilometers off the continental part of the Russian Federation. The sea depth is 81 meters at the drilling site, and a vertical well depth drilled was 2,113 meters. A detailed survey of the environment was done when preparing for drilling, including analysis

of weather conditions, ice and ice movement, and specific features of the local fauna. The following activities could be mentioned among others:

- as part of the operational environmental control program, two field surveys of the drilling location were carried out using a research vessel, the required instrumental research on board of the drilling platform was carried out, including sampling and analysis of seawater, sediments and air;
- observation of sea mammals when

performing seismic and geologic site surveys of the East-Prinovozemelskiy-1, the East-Prinovozemelskiy-2 and the East-Prinovozemelskiy-3 license areas was organized.

All the works were performed based on a positive expert opinion of the State Expert Review Authority in strict compliance with the respective regulations and permits observing environmental requirements to the subsoil resource license holder.

36.9

**BILLION RUBLES –
CAPITAL INVESTMENTS
IN ENVIRONMENTAL
SAFETY IN 2014**



International Environmental Protection Award

Rosneft received the international public award Tree of Ecology in the category Corporate Leader in Contributions to Environmental Protection activities during the celebration of World Environment Day, Ecologist Day, and the 10th anniversary of the Federal Service for Supervision of Nature Resources in the Grand

Kremlin Palace. The event organized by the Federal Service for Supervision of Natural Resources and the Environmental Protection Fund Nature brought together officials, members of the Russian Academy of Sciences, and leaders of environmental non-governmental organizations.



Vice-President, Rosneft chief geologist Andrei Lazarev (to the left) at the awards ceremony

ENVIRONMENTAL INVESTMENTS, RUB MLN

Indicator	2012	2013	2014
Capital environmental expenditures	22,709	36,843	36,930
Operating environmental expenditures	13,794	16,986	21,803
Payments to budgets at all levels associated with environmental protection and rational use of natural resources	3,932	3,872	4,134
including payments for adverse environmental impact	3,518	3,028	1,819
including compensation for environmental damage	348	664	969
Fines payable for environmental pollution	N/A	55	88
Cases of non-financial sanctions	0	0	0

CAPITAL ENVIRONMENTAL EXPENDITURES, RUB MLN

Indicator	2012	2013	2014
Capital environmental expenditures, including	22,709	36,843	36,930
targeted environmental program	822	832	340
construction of environmental protection fixed assets	4,275	12,953	9,343
materials and equipment	1,669	2,343	38
within the framework of associated investments	9,949	15,698	22,977
other	5,994	5,017	4,232

Cooperation with the MSU in Development of Environmental Technologies

The Arctic Research and Design Center signed an agreement in 2014 for project works made at the MSU on development of a comprehensive product on the basis of bacteria that live in cold temperatures (psychrophiles). The work's findings will make it possible to modernize the current methods of cleaning northern seas from oil contamination.

Under the agreement, MSU laboratories specialists will conduct research and analysis of at least five ways of producing such agents and developing a procedure for their utilization. Samples will be taken from oil-contaminated areas to receive psychrophiles from natural

bacteria populations, and a model for staged selection of oil-degrading strains will be developed to find microorganisms that tolerate high salinity and show destructive activity towards environmentally hazardous toxic agents (hydrocarbons of oil and oil products, including resistant to oxidation polycyclic aromatic hydrocarbons). The producer laboratory sample of the biological product will be tested in a flow-through sea aquarium at a temperature and water salinity as close as possible to those of the northern seas.



DEVELOPMENT AND IMPLEMENTATION OF ENVIRONMENTAL PROTECTION TECHNOLOGIES

The Company is implementing an innovative environmental program, the goal of which is to create technological and material basis that makes it possible to efficiently achieve the key environmental objectives of the Company's subsidiaries.

The priority objectives are:

- total waste removal (both of waste in storage and of newly generated waste in the license areas and the work sites of the Company);
- remediation of contaminated and disturbed lands and water taking into account the particulars of the Company's region of presence;
- comprehensive provisions for environmental safety when implementing the Company's offshore and infrastructure projects.

The Company initiated targeted environment-related innovative projects to address environmental safety relevant objectives in 2014, including:

- comprehensive technology and methodology for remediation of land, salinized as a result of man-caused impact
- comprehensive system of remote detection and monitoring of large sea animals, including those in the water body.

Implementation of the TIP Development of Technology and Equipment for Processing of Oil-Containing Waste and Drilling Cuttings into Construction Materials in 2014

Currently, large volumes of drilling cuttings and oil-containing waste are placed in dedicated oil sludge pits in the regions of the Company's activity. The market lacks an integrated solution that provides for complete sludge processing and disposal in the form of useful products or harmless waste. The idea behind the TIP is to develop a unique solution for integrated processing of both drilling cuttings and oil-containing waste (including long-standing ones) without generating waste to receive products that are useful and widely needed.

In 2014, as part of continuous development of a solution for integrated processing of drilling cuttings and oil-containing waste so as to receive construction materials and other products, operational procedures for preparation of integral waterproofing agent for asphalt concrete and construction materials, emulsified fuel, polymer modified bitumen and oil binding material for domestic solid combustible, semi-coke and resins of various composition were developed. A process unit based on these solutions was built and tested on real oil-containing waste. Overall,

financing for R&D works amounted to RUB 56.7 mln since the start of the project by the end of 2014.

Construction and launching of these units will provide an integrated solution for disposal of accumulated and newly generated drilling cuttings and oil-containing waste in the regions of the Company's operations.



DEVELOPMENT OF GOVERNMENT RELATIONS

Traditionally, the Company actively collaborates with government authorities at the federal, as well as regional and municipal levels (on environmental protection issues).

The Company's employees participate in various work groups at relevant ministries and agencies within the framework of discussion of new environmental legislation or amendments to the current laws and regulations.

The Company builds constructive cooperation with local authorities on environmental policy issues in the regions where it operates. For example, in 2014 the Company's subsidiaries operating in the Khanty-Mansi Autonomous District - Yugra developed environmental protection and remediation programs for 2015-2019, approved with the Territorial Environmental Supervision Authorities the programs, which include:

- construction, reconstruction and major repairs of pipelines and site facilities of operating infrastructure;
- remediation of oil contaminated land;
- production waste management;
- elimination of environmental legacy sites;
- other organizational and technical activities aimed at ensuring environmental safety on the areas where the Company's subsidiaries operate.

The total financing envisaged for these programs in 2015–2019 will amount to RUB 122.6 bn.

Opening of the Center of Environmental Studies of Ryazan Refining Company CJSC

Ryazan Refining Company CJSC commissioned a new Center for Environmental Studies in 2014. The Center building hosts five laboratories fit with over 160 pieces of state-of-the-art equipment. The Center's laboratories make it possible to study air and aqueous media, soil and biological sludge.

Ryazan Refining Company CJSC certified laboratory is one of only a few laboratories in the Ryazan Region that can carry out high productivity and sensitivity tests using methods of atomic absorption

spectrophotometry, high-efficiency liquid chromatography, ultraviolet and infrared spectrophotometry, and titration and gas analysis studies performed on equipment of the leading manufacturers.

Besides performing stationary tests, mobile units of the laboratory can monitor the state of the environment in any spot within the territory of the refinery, the sanitary protection zone and in nearby inhabited localities.



122.6

**BILLION RUBLES
OF FINANCING UNDER
ENVIRONMENTAL
PROTECTION AND
REMEDATION PROGRAMS
FOR 2015–2019**

Environmental Day

Environmental Day, which is becoming a strong Company tradition, was held in June 2014. Environmental specialists from over seventy Company subsidiaries gathered together to discuss vital issues of environmental safety in the regions where the Company operates. The agenda of the event included round tables where development of an environmental safety management system was the central focus for discussion. Repre-

sentatives of subsidiaries shared their experience and information on best practices for improved response and quality of oil spill containment and environmental consequences remedial action. Relevant issues of cooperation between subsidiaries and contractors performing works on Company sites were considered.

In addition, as part of Environmental Day, production facilities, includ-

ing landfills and treatment facilities, were inspected, demonstrations of special-purpose drones and corporate geo-information system tools were held, and key issues of remediation of contaminated land were discussed.

DEVELOPMENT OF INTERNATIONAL COOPERATION AND COLLABORATION WITH ENVIRONMENTAL NON-GOVERNMENTAL ORGANIZATIONS

Following up on the Declaration on the Environmental Protection and Biodiversity Conservation in the Exploration and Development of Oil and Gas Resources on the Russian Continental Shelf, signed jointly with ExxonMobil, Eni and Statoil, the Company signed the following agreements in 2014:

- Agreement between the Russian Federation Ministry for Civil Defense, Emergency and Natural Disaster Response (EMERCOM of Russia) and Rosneft Oil Company on Cooperation in Ensuring the Safety of the Population and Territories While Performing Operations Related to Development of Hydrocarbon Resources in the Territorial Sea of the Russian Federation and on the Continental Shelf of the Russian Federation in the Arctic;

- Agreement between the Russian Federation Transportation Ministry (Mintrans of Russia) and Rosneft Oil Company on Cooperation for the Search and Rescue of People in Distress, Oil and Product Spill Response in the Territorial Sea of the Russian Federation Arctic Zone, the Arctic Continental Shelf of the Russian Federation, and in the Special Economic Zone of the Russian Federation in the Arctic;
- Agreement between the Association of Polar Explorers, an Interregional Public Organization, and Rosneft Oil Company on Cooperation in Ensuring Environmental Safety in the Arctic.

Following up on the Protocol of Intentions between Rosneft and the World Wildlife Fund (WWF Russia) on Organizing Interaction for a Constructive Dialogue in Environment Protection Including Protection of Polar Bears and other Representatives of Arctic Wildlife, the following events were held:

- joint working meetings and consultations on actions aimed at studying

Red Book animals, conservation of Arctic biodiversity and ecosystems, and protection and rescue of animals and birds while responding to emergency oil spills at Company sites;

- a number of joint meetings on sharing practical experience (participation in environment impact assessment of the Company's planned activities, including on the Arctic shelf, and in searching for new environment protection technologies);
- International Conference Holarctic Sea Mammals organized by the World Wildlife Fund with the Company's support;
- working meetings on walrus conservation when operating in the Company's Arctic offshore license areas as part of the Expert Consultative Group on Atlantic Walrus Species Preservation.

In 2014, as part of bilateral consultations with representatives of BP, ExxonMobil, Statoil and Eni, experience was shared on ensuring environmental safety on sites, as well as on best environmental practices, methods and approaches.



OPERATIONS IN SPECIALLY PROTECTED AND ENVIRONMENTALLY VULNERABLE AREAS

Rosneft evaluates and manages its impact on biodiversity in accordance with the key international and Russian standards that regulate companies' activities in protected and vulnerable areas. The Company created a Register of Specially Protected Natural Areas (SPNA)

that is used for analysis and control of the environmental safety of the natural objects situated there.

The Register is updated on an annual basis. In 2014, the Company had 224 facilities in operation located nearby or within the boundaries of SPNA or involved in substantial impact on the biodiversity of SPNA. The number of important facilities in operation where the risk for biodiver-

sity was evaluated amounted to 59, while risks were confirmed in two of them.

The Company's subsidiaries regularly perform industrial environmental monitoring that also takes into account the impact of operations on biodiversity. As a result of the control procedures action plans are developed aimed at among other things minimizing the impact of such on the part of the Company's facilities.

Joint Environmental Project with East-Siberian Oil and Gas Company OJSC and the Siberian Federal University

Early in 2014, East-Siberian Oil and Gas Company OJSC and Siberian Federal University presented a joint project, a study of the condition and territorial distribution of the Evenki wild reindeer population, done with the help of satellite tag collars.

The project is practical relevant for the Evenki and Taimyr districts of the Krasnoyarsk Territory, as wild reindeer is a basis of their ecosystem. Currently, there is no reliable information on

reindeer numbers. The data is of great interest both for science and for locals practicing traditional trades. The project implementation includes an aerial survey of the territory to find out the borders of the population's wintering ground and estimate its numbers, fitting animals with satellite tag collars to track their migration in real-time mode. The first stage of the project culminated in discovery of one of the biggest winterings with about 20 thousand animals, 250 km away from Tura village.

East-Siberian Oil and Gas Company OJSC traditionally supports the initiatives of environmental specialists and the indigenous population of Evenkia. The Evenki Reindeer Project should close gaps in the study of wild reindeer in the Krasnoyarsk Territory and provide necessary information for efficient natural resource usage. Furthermore, this data can be taken into account when designing new production facilities.





Interaction with the Russian Arctic National Park

As part of cooperation between Rosneft and the Russian Arctic National Park, the Company has supported a project on creating an alternative power supply system for the park's

base located near Cape Zhelaniya of Severny Island, in the Novaya Zemlya Archipelago. Wind and solar energy will primarily be used in the project. This project will help the Russian Arctic Na-

tional Park to successfully achieve the objectives of preserving Russian Arctic natural sites of special environmental and historic value.

Innovative Solutions in the Company's Environmental protection in the South-East Sea of Azov

South-Eastern part of the Sea of Azov has numerous fish migration ways, historical monuments and natural landmarks. The Kulikovskaya group of limans includes the huge Kurchansky liman and over ten relatively small limans protected under the Ramsar Convention.

The ecosystem of the Sea of Azov has undergone negative transformations over the past few decades as a result of severe human impact:

- the spit shifted towards the flooded area zone due to a sharp fall in sand material carried away by the Kuban River;
- change in the natural coast forming processes, fresh water flow-off, and greater stream bank erosion;
- depreciation of the sea water's recreation characteristics caused by the

transfer of water from the Kulikovsky and Voykovsky limans, as a sewer for discharge water from rice paddies, which is contaminated by residual chemical crop protection products;

- decrease in fish and seafood crops by tens of times.

Priazovneft LLC performed a series of geophysical and environmental studies, geological exploration and studies aimed at striking a balance of interest for all sectors of the economy while developing hydrocarbon fields in the Sea of Azov.

The Environmental Compliance Strategy was developed following the principle prevent environmental disasters rather than eliminate the damage caused by them, which includes a zero

discharge technology (which means discharge goes not into the sea, but rather to the special-purpose landfills, followed by zero-waste treatment and disposal), as well as The Sea of Azov Ecological Recovery Program. The Program includes the following activities:

- preservation of the wetlands of Kulikovo-Kurchanskaya group of limans;
- construction of a coast protection strip with a maintenance road at the Verbyanaya Spit;
- building reef systems for advanced treatment of the marine environment and shaping the Verbyanaya Spit delta drift;
- modernization of the Temryuk Sturgeon Hatchery;
- creation of a spawning fish population at the hatchery.



Loading of a tanker at deepwater berth complex, RN-Tuapsenefteproduct LLC



COMPANY'S ENVIRONMENTAL PERFORMANCE IN 2014

AIR EMISSIONS

The principle source of air pollution in the Company's operations is emission of associated petroleum gas and combustion products of flared associated petroleum gas. Thanks to the implementation of the Investment Gas Program, the Company managed to reduce total air emissions by 10% in 2014. In addition, emissions above established limits were reduced by more than 30%.

Among the key environmental protection measures that the Company's subsidiaries took in 2014, and that had

primary focus on reducing air emissions are the following:

- RN-Tuapsenefteproduct LLC completed the second phase of gas-handling and gas-equalizing systems modernization, making it possible to reduce air emissions during tanker-loading operations by 99%;
- Irkutsknefteprodukt CJSC, as part of its retail site reconstruction, equipped its tank farm with breathing valves and installed a fuel dispenser with an oil product vapor recirculation system;
- Penzanefteprodukt CJSC replaced liquid motor fuel tanks at three retail sites;
- Penza-Terminal LLC completed reconstruction of a product-loading site at the Penza oil depot, and the equipment was made airtight, which led to reduction of air emissions.

TOTAL AIR POLLUTANT EMISSIONS BY SECTOR³⁴, THOUSAND TONNES

Indicator	2012	2013	2014
Total air pollutant emissions, including:	1,361	1,802	1,619
oil and gas production	1,231	1,610	1,436
refining	110	156	144
gas operations	0	11	18
marketing and distribution	13	18	17
service subsidiaries	6	6	3

TOTAL AIR POLLUTANT EMISSIONS

Indicator	2012	2013	2014
Total air pollutant emissions, including:	1,361	1,802	1,619
particulate matter	76	94	86
sulfur dioxide	41	63	58
carbon monoxide	738	948	828
nitrogen oxide	37	53	49
hydrocarbons (excl. VOCs)	250	328	326
volatile organic compounds (VOCs)	215	313	266
benzo(a)pyrene	0.000010	0.000014	0.000011
other pollutants	4	3	6

³⁴ The sum in some columns may not coincide with the grand total due to rounding.

SPECIFIC AIR POLLUTANT EMISSIONS BY TYPE, TONNES PER THOUSAND TCE

Indicator		2012	2013	2014
SO ₂ specific emissions	oil and gas production	0.04	0.06	0.05
	refining and petrochemical manufacturing	0.41	0.34	0.33
NO _x specific emissions	oil and gas production	0.12	0.11	0.10
	refining and petrochemical manufacturing	0.13	0.10	0.10
Hydrocarbons specific emissions (incl. VOCs)	oil and gas production	1.82	1.51	1.39
	refining and petrochemical manufacturing	0.76	0.79	0.66

GREENHOUSE GAS EMISSIONS

The Company reduces its greenhouse gas emissions by implementing measures included in the corporate programs – The Investment Gas Program and Energy Efficiency Program. In 2014, greenhouse gas emissions associated with Company operations were 73.7 mln tonnes of CO₂-equivalent, including:

- total Company direct greenhouse gas emissions³⁵ accounted for 49.8 mln tonnes of CO₂-equivalent;
- indirect emissions from consumption of purchased electricity and heat energy³⁶ equaled to 23.9 mln tonnes of CO₂-equivalent.

In calculating the greenhouse gas emissions the Company was guided by the underlying principles of the Methodology and Guidance for Quantification of the Emissions of the Greenhouse Gases by Organizations Performing Economic and Other Activities in the Russian Federation approved by the Order of the Ministry for Natural Resource and the Environment of the RF of 30 June 2015 No. 300. Indirect emissions from the use of Company products amounted to 294.8 mln tonnes of CO₂-equivalent³⁷.

SPECIFIC GHG EMISSIONS BY THE SEGMENTS, TONNES OF CO₂-EQ PER TCE³⁸

Indicator		2014
Specific GHG emissions	oil and gas production	0.161
	refining	0.138
	gas operations	0.102
	marketing and distribution	0.014

³⁵ Scope 1 in accordance with the Corporate Accounting And Reporting Standard of the WBCSD/WRI Greenhouse Gas Protocol.

³⁶ Scope 2 in accordance with the standard above.

³⁷ Other indirect greenhouse gas emissions (Scope 3) were calculated based on the amount of fuel sold in 2014.

³⁸ Direct emissions (scope 1) and indirect emissions (scope 2) were taken into account for specific greenhouse gas emissions calculations.



ASSOCIATED PETROLEUM GAS RECOVERY AND USE

The Investment Gas Program aimed at achieving a 95% APG recovery rate was continued in 2014. APG production volume in 2014 amounted to 35.5³⁹ bscm. APG recovery rate equaled 80.8%, which is 11 percentage points higher than the 2013 level. The Investment Gas Program capital expenditure amounted to RUB 21.8 bn.

APG recovery rate growth was achieved thanks to commissioning of facilities in the Company's subsidiaries, including:

- Vankorneft CJSC increased its gas recovery rate by 4.7 bscm following the start-up of a compressor station of external gas transport in the Gazprom gas transportation system (GTS) and provision of 2.8 bscm of gas supplies, as well as start-up of the second phase of the high pressure gas compressor station and 1.8 bscm gas injection. The APG recovery rate of this subsidiary amounted to 61.2% in 2014;
- RN-Yuganskneftegaz LLC increased its associated gas recovery by 0.7 bscm following the commissioning of the Mayskaya group of fields gas transportation system, which made it possible to achieve an 88.2% APG recovery rate in 2014;
- RN-Purneftegaz LLC increased its APG recovery rate by 0.6 bscm following the commissioning of additional gas compressor units at the Kharampur field boosting compressor stations. The APG recovery rate amounted to 96.8% in 2014.

In addition, as part of its production program, the Company implements other projects aimed at improving rational use of APG. A total of 34 facilities that use APG were put into operation in 2014. The main basis for the 2014 Program was formed by projects of construction and reconstruction of the following ground infrastructure facilities:

- gas transportation systems and compressor stations for dry gas supplies into Gazprom GTS which form a group of facilities for external gas transport from the Vankor field of Vankorneft CJSC with 5.6 bscm production per year;
- gas gathering systems, gas transportation systems and booster compressor stations for gas injection that perform gathering, conditioning, compression and injection of associated petroleum gas into the PK-1 formation of Kharampur group of fields of RN-Purneftegaz LLC with 1.45 bscm production per year;
- in-field gas gathering and interfield gas transport pipelines for gathering and transportation of gas to customers in the Maysky region gas transport system of RN-Yuganskneftegaz LLC with 0.8 bscm production per year;
- compressor stations for last stage separation gas compression (RN-Yuganskneftegaz LLC, Tomskneft VNK OJSC, and Slavneft-Megionneftegaz OJSC);
- gas treatment units (RN-Krasnodarneftegaz LLC);
- in-house power generating facilities (Uvatneftegaz LLC and Slavneft-Megionneftegaz OJSC).

RN-Purneftegaz LLC achieved a 95% APG recovery rate in 2014 and became the eighth enterprise in the Company that provides APG recovery at this rate. Earlier, a 95% rate of APG recovery was achieved by Samotlorneftegaz JSC, Varyoganneftegaz OJSC, RN-Nyaganneftegaz OJSC, RN-Severnaya Neft LLC, RN-Sakhalinmorneftegaz LLC, Dagneft OJSC and Dagneftegaz OJSC.

Implementation of the Investment Gas Program will be continued in 2015. The APG recovery rate is planned to reach 84.3%. The commissioning of the gas injection compressor station and temporary underground gas storage facility at Verkhnechonskoye field of Verkhnechonskneftegaz OJSC in 2015 should be an important part of the Program. The Company also set a goal to achieve an APG flaring rate lower than the nationally required in the medium term.

35.5
BSCM – APG PRODUCTION
VOLUME IN 2014

ASSOCIATED PETROLEUM GAS RECOVERY AND USE

Indicator	2012	2013	2014
Capital investment in APG recovery and use, RUB bn	24.8	28.7	21.8
APG production volume (resource), bscm	17.0	32.8	35.5
APG use volume without flared APG (recovery), bscm	9.1	22.9	28.7
APG recovery rate, %	53.5	69.8	80.8
APG (hydrocarbons) flared on a regular basis, bscm	7.9	9.9	6.8
APG flaring rate, %	46.5	30.2	19.2
Vented hydrocarbons, mscm	N/A	0.0	0.0

³⁹ Hereinafter data and plans on associated petroleum gas recovery and use relate to Russian assets of the Company.

WATER CONSUMPTION AND WASTEWATER DISCHARGE

The largest volume of water consumption traditionally is in subsidiaries of the Exploration and Production business segment (mainly due to utilization of produced water in maintaining reservoir pressure) and the Refining and Petrochemicals business segment. **Despite the growth of production and operations, the Company managed to keep water consumption at the 2013 level.**

The volume of recycled and reused water also did not change in the Company's subsidiaries in 2014.

The volume of industrial wastewater discharge through the Company's wastewater discharge centralized systems increased in the reporting period, while discharge of wastewater treated to standard quality grew insignificantly. This became possible due to continuing efforts in construction and renovating of water treatment facilities, recycle water nodes, formation water disposal systems and other measures.

The following key environment protection measures were taken in 2014 to improve the quality of wastewater within the framework of the long-term Targeted Environmental Program:

- RN-Yuganskneftegaz LLC commissioned sewage and treatment facilities at the Ugutskoye field booster pump station;

- RN-Stavropolneftegaz LLC completed construction and commissioned a formation water disposal system in the Belozerskoye field, designed to stop discharge of produced and wastewater generated in the process of operations at the Belozersko-Neftekumskiy Block;
- RN-Sakhalinmorneftegaz LLC completed construction and put into operation a treatment facility at the Katangli field with the purpose of preventing contamination of water with oily runoffs from the field.

Based on the quadrilateral agreement between Rosneft, the Federal Antimonopoly Service, the Federal Agency for Regulation and Metrology and the Federal Agency for Environmental, Technological and Nuclear Supervision, environmental safety facilities are being designed and built at the Company's refining and petrochemical enterprises aimed, in particular, at reducing pollutant content in wastewater:

- Angarsk Petrochemical Company JSC put into operation a building for a mechanical wastewater treatment facility upstream of the UV decontamination station, designed to dramatically improve the quality of wastewater outflows;
- RN-Tuapse Refinery LLC continues construction and assembly of the second phase of a treatment facility, recycling water supply nodes No. 2 and 3, a preliminary treatment facility for biologically treated wastewater for Tuapse

Municipal Utility Company, a drainage system with erosion protection, and water culverts No. 1, 2 and 3 of the Site Water Supply and Sewage Networks;

- Novokuibyshevsk Oils and Additives Plant LLC is designing an industrial wastewater treatment facility and Recycling Water Block No. 3.

The Company's marketing and distribution subsidiaries are regularly being modernized, along with reconstruction and construction of environmental safety facilities. For example, in 2014, the following key wastewater treatment measures were implemented:

- RN-Tuapsenefteprodukt LLC completed reconstruction of the right bank treatment facilities (launch facility III), aimed at improving the quality of disposed wastewater and increasing the volume of reused wastewater as well as excluding hydrocarbon emissions from the open surface of the settling pond;
- Rosneft-Smolensknefteprodukt OJSC carried out reconstruction of wastewater treatment at filling station-133 and filling complex-4;
- Karelianefteprodukt CJSC carried out re-equipment of tank-truck loading sites and of local treatment facilities at Petrozavodskaya and Kochkomskaya oil depots, making discharge of untreated wastewater impossible.



TOTAL WATER CONSUMPTION, MCM

Indicator	2012	2013	2014
Total water consumption by source, including:	808.2	1,444.7	1,514.0
oil and gas production	731.8	1,339.5	1,411.0
refining	69.5	98.3	96.8
gas operations	-	0.1	1.9
marketing and distribution	1.8	2.5	3.0
service subsidiaries	5.1	4.3	1.3

TOTAL WATER WITHDRAWAL BY SOURCE⁴⁰, MCM

Indicator	2012	2013	2014
Total water withdrawal by source	1,007.7	1,713.1	1,778.6
underground sources	53.0	85.4	83.9
surface sources	167.1	204.5	203.4
supplied by other organizations	35.4	38.4	35.7
from own water supply tanks	0.6	1.1	1.2
rainfall water	5.2	8.9	8.4
waste water	53.1	112.2	106.1
produced water	691.2	1,229.8	1,310.7
formation water	2.2	32.8	29.2

PRODUCED WATER MANAGEMENT

Indicator	2012	2013	2014
Total produced water, mcm	691.2	1,229.8	1,310.7
Injection without treatment, mcm	19.2	26.1	28.5
Injection after treatment, mcm	580.8	1,117.0	1,193.9
Disposal of produced water, mcm, including:	91.3	86.7	88.06
discharge to underground horizons	88.8	84.5	86.13
discharge to water bodies	0.0	0.0	0.00
discharge to land	2.5	2.2	1.93
Total hydrocarbon content in discharged produced water, thousand tonnes	3.9	17.5	17.5

⁴⁰ The sum in some columns may not coincide with the grand total due to rounding.

VOLUME OF RECYCLED AND REUSED WATER, MCM



TOTAL WASTEWATER DISCHARGE, THOUSAND M³

Indicator	2012	2013	2014
Discharge to networks of other organizations for reuse	252	401	356
Utility water discharge	53,517	98,757	92,835
Industrial water discharge, including:	138,459	161,263	167,498
surface water bodies	59,759	90,835	91,037
underground horizons	76,019.3	68,366	74,681
land	2,680.2	2,062	1,780
including:			
treated to standard quality and standard quality wastewater	112,835	110,629	111,987
polluted and insufficiently treated wastewater	25,624	50,634	55,511

WASTEWATER DISCHARGE TO SURFACE WATER BODIES, THOUSAND M³

Indicator	2012	2013	2014
Wastewater discharge to surface water bodies, including:	59,759	90,835	91,037
oil and gas production	5	33	59
refining	58,357	89,462	90,434
gas operations	0	0	21
marketing and distribution	629	674	452
service subsidiaries	768	666	71



WASTE MANAGEMENT AND CONTAMINATED LAND REMEDIATION

The Company's principle types of waste are drilling cuttings and oil-containing waste. They constitute almost 80% of the total waste amount generated as at the end of 2014. The Company pays special attention to management of these kinds of waste. Following the sludge pits remediation and drilling cuttings processing performed in 2014, the Company managed to reduce the volume of generated drilling cuttings by 1.5 times; however, at the end of 2014, the volume of generated oil-containing waste remains at the same level.

The Company constantly works on reducing volumes of spilled oil and petroleum products, with the Pipeline Reliability Improvement Program being a key tool. The implementation of this

program made it possible to reduce the volume of oil spill due to pipeline ruptures, however, the accident at Ryazan Refining Company CJSC resulted in an increase in volume of spilled oil and petroleum products across the Company in 2014 versus 2013.

The amount of remediation of contaminated lands decreased in 2014. However, a Company-wide reduction of accumulated contaminated lands is observed. To reduce dependence on third-party contaminated land management service contractors, the Company is now addressing the issue of developing an in-house contaminated land management service.

As part of implementing long-term Targeted Environmental Programs in the sphere of waste management and remediation of contaminated lands, a number

of environment protection measures were taken in 2014, including:

- RN-Yuganskneftegaz LLC worked on developing and agreeing design documentation and construction (reconstruction) of oily waste disposal landfills in the Malo-Balykskoye (Phase II), Asomkinskoye, Yuzhno-Surgutskoye and Mamontovskoye fields. The subsidiary began to design a new landfill in the Pirazlomnoye field;
- Grozneftegaz OJSC worked on developing and agreeing design documentation for the construction of a landfill for disposal and recycling of oily waste in the Khayan-Kort field.

The Company has been implementing the Accumulated Environmental Damage Elimination Corporate Program since 2010. The total spending for the program in 2014 amounted to RUB 2.05 bn.

IMPLEMENTATION OF ACCUMULATED ENVIRONMENTAL DAMAGE ELIMINATION PROGRAM

Indicator, subsidiary	2013		2014	
	ha	RUB mln, inclusive of VAT	ha	RUB mln, inclusive of VAT
Contaminated land remediation				
RN-Yuganskneftegaz LLC	139.8	21.4	59.2	48.9
RN-Stavropolneftegaz LLC	2.2	0.3	3.5	1.5
RN-Krasnodarneftegaz LLC	0.9	3.0	2.7	13.1
RN-Purneftegaz LLC	0	0	4.7	2.2
RN-Sakhalinmorneftegaz LLC	16.2	40.0	5.4	8.9
TOTAL	159.1	64.7	75.5	74.6
Oil sludge treatment	thousand m ³	RUB mln, inclusive of VAT	thousand m ³	RUB mln, inclusive of VAT
RN-Yuganskneftegaz LLC	37	110	92	326
RN-Stavropolneftegaz LLC	20	86	10	40
RN-Krasnodarneftegaz LLC	9	34	12	58
RN-Sakhalinmorneftegaz LLC	12	111	26	199
TOTAL	78	341	140	623
Drilling cuttings treatment	thousand m ³	RUB mln, inclusive of VAT	thousand m ³	RUB mln, inclusive of VAT
RN-Yuganskneftegaz LLC	538	1,275	538	1,283
RN-Purneftegaz LLC	48	249	14	64
TOTAL	586	1,524	552	1,347

2.05

BILLION RUBLES – SPENDING FOR ACCUMULATED ENVIRONMENTAL DAMAGE ELIMINATION

In 2014, resulting from the implementation of the Accumulated Environmental Damage Elimination Program, historical legacy sludge pits were totally eliminated within the territory of RN-Purneftegaz LLC operations.

WASTE MANAGEMENT, THOUSAND TONNES

Indicator	2012	2013	2014
Waste stored at the beginning of the year	1,809	7,359	11,087
including oil sludge	365	1,420	5,988
including drilling cuttings	1,330	3,992	3,109
Adjustment of the amount of waste in the current period	2,530	4,913	309
including oil sludge	429	4,732	120
including drilling cuttings	2,100	155	187
Waste generation over the year	1,692	3,056	3,257
including oil sludge	139	458	755
including drilling cuttings	612	1,484	1,357
Received (from external organizations and as a result of a re-organization of another legal entity)	394	920	372
including oil sludge	363	208	142
including drilling cuttings	29	710	228
Waste recovery over the year	190	348	425
including oil sludge	32	142	152
including drilling cuttings	0	78	112
Decontaminated and processed	448	154	136
including oil sludge	213	129	128
including drilling cuttings	14	18	0
Disposed of at landfills	75	152	125
including oil sludge	1	3	2
including drilling cuttings	42	91	67
Transferred to external organizations for disposal	2,929	4,645	3,272
including oil sludge	136	470	728
including drilling cuttings	2,440	3,415	1,686
Waste stored at end of year	3,360	11,087	9,722
including oil sludge	643	5,988	5,859
including drilling cuttings	2,629	3,109	1,813



TOTAL VOLUME OF SPILLED OIL AND PETROLEUM PRODUCTS, TONNES

Indicator	2012	2013	2014
Total amount of spilled oil and petroleum products	2,907	4,226	8,815

AREA OF LAND CONTAMINATED AND REMEDIATED, HA

Indicator	2012	2013	2014
Area of contaminated land at the beginning of the year	2,622	4,715	4,343
Area of contaminated land identified during pre-project surveys	253	84	103
Newly contaminated land	343	439	378
Area of contaminated land at end of year	2,531	4,344	4,198
Land remediation over the year	8,971	14,143	13,797
including contaminated lands	662	792	614
Natural recovery of disturbed and contaminated land	689	105	12

NUMBER OF SLUDGE PITS, UNITS

Indicator	2012	2013	2014
At the beginning of the year	967	1,311	999
At the end of the year	796	987	771
Built during the year	105	240	311
Remediated over the year	276	564	539

26.6

MMT – EURO-4 AND EURO-5 MOTOR FUELS OUTPUT AT THE COMPANY'S REFINERIES



PRODUCTION OF HIGHER ENVIRONMENTAL CLASS FUEL

Rosneft continues to carry out its large-scale refinery upgrade investment program. The objective of the program is a transition to manufacturing of fuel that

complies with the requirements of the Euro-5 emission standard. Total Euro-4 and Euro-5 motor fuels output reached 26.6 mmt at the Company's refineries in 2014, a 9% increase as compared to 2013. Refining units are refurbished and new units are built as part of the refinery

upgrade program, which would enable sustainable and safe refinery operations, increase throughput, and substantially improve the quality characteristics of petroleum products output.

PRODUCTION OF GASOLINES, THOUSAND TONNES

Indicator	2012	2013	2014	% of total output
Class 3	4,389.9	3,914.5	2,600.4	20
Class 4	7.5	1,973.2	2,566.2	20
Class 5	2,326.5	7,410.3	7,350.1	57
Total above Class 2	6,723.9	13,298.0	12,516.7	97

PRODUCTION OF DIESEL FUEL, THOUSAND TONNES

Indicator	2012	2013	2014	% of total output
Class 3	6,224.5	8,094.7	4,989.3	18
Class 4	181.6	3,617.2	4,340.8	15
Class 5	4,520.1	11,337.2	12,337.3	44
Total above Class 2	10,926.2	23,049.1	21,667.4	77



ROSNEFT DEMONSTRATES THE LOWEST EXPENDITURE PER TONNE OF OIL OPERATIONS NOT ONLY AMONG RUSSIAN COMPANIES, BUT ALSO AMONG THE COMPANY'S PRINCIPAL INTERNATIONAL COMPETITORS.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Electric energy consumption in the reported year amounted to $1.54 \cdot 10^{17}$ J and heat energy amounted to $0.8 \cdot 10^{17}$ J, which is 21% and 5% higher than the 2013 level respectively. Direct power consumption grew insignificantly (+10%) in 2014 and reached $2.8 \cdot 10^{17}$ J. The largest volumes of energy consumption are distributed between the two most energy consuming business segments – Exploration and Production and Refining and Petrochemicals.

Rosneft demonstrates the lowest expenditure per tonne of oil operations not only among Russian companies, but also among the Company's principal international competitors. A key element to preserving leadership in this sphere lies in increasing production as well as in decreasing the cost of production, including a decrease in the use of fuel and energy resources (FER). The Company works constantly to improve the energy efficiency of its operations.

The Company has developed and is using the Rosneft Energy Efficiency Program that has the following objectives:

- improve FER efficiency at targeted levels;
- reduce FER operational expenditure;
- systematically detect potential for energy saving and energy efficiency improvement;
- develop and add economically viable energy saving actions to the business plan;
- monitor implementation of the Energy Saving Program actions and confirm saving.

ENERGY CONSUMPTION, MLN GJ

Indicator	2013	2014
Total consumption of non-renewable and renewable energy sources used for energy production	257.8	283.9
Total electric energy consumption	127.3	154.2
Total heat energy consumption	76.0	79.9
Overall energy consumption ⁴¹	391.0	442.8

In 2014, as the result of the Energy Saving Program delivery, FER⁴² saving amounted to 526⁴³ thousand tonnes of coal equivalent (tce) or 8.5 mln GJ, which is 22%⁴⁴ higher than the target approved by the Board of Directors. Energy saving amounted to ca. RUB 3.7 bn in monetary terms, which is 28% higher than the saving target. The Energy Saving Program delivery expenditure amounted to RUB 0.8 bn.

In general, implementation of the Energy Saving Program in various areas of the Company's operation brought the following FER saving results in 2014:

- Exploration and Production business segment – 371 thousand tce or 4.2mln GJ, which is 5% higher than the target⁴⁵;
- Refining and Petrochemicals business segment – 150 thousand tce or 4.2mln GJ, which is 130% higher than the target⁴⁶;

- Commerce and Logistics business segment – 3.17 thousand tce or 0.05mln GJ, which is 45% lower than the target⁴⁷;
- Service business segment – 1.2 thousand tce or 0.03mln GJ, which is 83% lower than the target⁴⁸;

Another focus area in increasing energy efficiency and reducing conventional energy sources costs is implementation of renewable energy innovative technologies.

41 The overall energy consumption is not equal to the sum in the lines above, as the indicators of the total consumption of electric and heat energy include energy generated by the Group's assets. Indirect consumption of primary energy from all sources amounted to 491.7 mln GJ in 2014, and 406.8 mln GJ in 2013.

42 Hereinafter the total energy saving indicators are cited in accordance with the Methodological Provisions for Russian Federation Fuel and Energy Balance Estimations in Accordance with the International Practice procedure (approved by the State Statistics Committee of the Russian Federation Resolution No. 46 dated June 23, 1999), accepted in the Company, which provides for recalculation of electric energy by taking into account the electric energy generation efficiency factor. The total energy saving, calculated by conversion of units in accordance with GOST R 51750-2001. Energy Saving. Procedure for Determining Energy Consumption in Manufacturing Produce and Rendering Services in Technological Energy Systems. General Provisions is given in the footnotes.

43 Equal to 291.05 thousand tce calculated in accordance with GOST R 51750-2001.

44 Equal to 9% above of target calculated in accordance with GOST R 51750-2001.

45 Equal to 144.18 thousand tce (84% of the target) calculated in accordance with GOST R 51750-2001.

46 Equal to 144.18 thousand tce (237% of the target) calculated in accordance with GOST R 51750-2001.

47 Equal to 1.72 thousand tce (69% of the target) calculated in accordance with GOST R 51750-2001.

48 Equal to 0.96 thousand tce (3% of the target) calculated in accordance with GOST R 51750-2001.

~3.7
BILLION RUBLES – ENERGY SAVING IN MONETARY TERMS AS THE RESULT OF THE ENERGY SAVING PROGRAM

Alternative Energy Source Project for RN-Krasnodarneftegaz Production Facilities

RN-Krasnodarneftegaz LLC became one of the first Rosneft subsidiaries to launch a pilot project to install an autonomous hybrid energy supply system that combines wind power generators and integrated solar batteries at its production facilities. This initiative would make it possible to reduce the environmental impact and would

provide conditions for uninterrupted operation of the enterprise.

The ideal geographical location of the facility, with a large number of windy and sunny days, will make it possible to utilize the hybrid unit very efficiently, thus improving RN-Krasnodarneftegaz LLC operational and environmental

indicators. In the case of successful utilization of the wind and sun energy for uninterrupted energy supply to the enterprise's facilities, the project has a chance for prospective development and creation of a whole system of hybrid units. According to preliminary estimations, this would significantly reduce electric energy costs.

The approval and implementation of the energy Efficiency and Energy Saving Policy and approval of the Company Standard Energy Management System: Requirements and Guidance for Implementation, developed in accordance with the requirements of GOST R ISO 50001 and ISO 50001:2011, were important events in 2014.

During the year, a number of company regulations were prepared at a lower level, aimed at addressing issues in the sphere of rational use of energy resources. Specifically, Planning and Evaluation of the Actual Energy Saving Effect of Energy Saving Programs Implementation in the Subsidiaries of the Hydrocarbon Refining and Petrochemicals Group Guidelines were developed. Similar guidelines for the Group's oil and gas production subsidiaries were implemented in 2013, and were applied in the reported year to analyze operating results and set key performance indicators in the sphere of energy efficiency of the business segment enterprises.

As part of development, and with the purpose of providing uniform quality evaluation principles of the Energy Management System at the Company's subsidiaries, the Energy Efficiency and Energy Management System Audit Procedure Company Provisions were developed and introduced. During the reported year, 30 oil and gas production and oil refining subsidiaries were audited in accordance with these provisions. The list of estimated criteria includes some 500 points. Based on the audit results, enterprises' energy efficiency rating was formed, and leaders in each area were named. According to the results of the analysis, the following Company

subsidiaries managed to achieve the best performance indicators: Saratov Refinery OJSC, Samotlorneftegaz OJSC and Ryazan Refining Company CJSC. Each subsidiary received recommendations on how to improve their energy efficiency, based on which subsidiary Individual Energy Efficiency Enhancement Action Plans were developed for each subsidiary.

An Energy Efficiency Commission was set up in 2013 as part of implementation of the Energy Management System. In 2014, the Commission considered and made decisions on operational and methodological issues in the sphere of energy efficiency, and Energy Management System arrangement in the subsidiaries and the Company as a whole. Furthermore, the energy saving potential in subsidiaries was determined, and 2014 individual key performance indicators were developed and approved for leaders of the energy efficiency enhancement work groups at oil and gas production and oil refinery enterprises. Common organizational structures for energy efficiency enhancement units at oil and gas production and oil refinery enterprises were developed and approved, and functions and requirements of professional competence were defined. The Energy Efficiency Control System centralized program for 2015–2019 was formed for 13 oil production enterprises and 10 oil refinery enterprises, which would make it possible to move to a totally new level of energy consumption management, broken down to single wells and processing units.

All of the Company's energy efficiency enhancement goals and objectives with deadlines and persons in charge are

approved and included in Rosneft Roadmap for Energy Efficiency for 2015–2017. The Board of Directors also approved the updated Energy Saving Program for 2015–2019. Fuel and energy resources savings are expected in the amount of 5,198⁴⁹ thousand tce or 95.5 mln GJ as a result of the program implementation, which corresponds to RUB 35,336 mln in monetary terms with 2014 general costs. The annual update of the Program is scheduled in accordance with macro-economic conditions, and taking into account additional new energy saving measures and eliminating measures with decreased economic efficiency or unconfirmed engineering viability.

⁴⁹ Equal to 3,259.20 thousand tce calculated in accordance with GOST R 51750-2001.



PERSONNEL

DEVELOPMENT OF THE HR MANAGEMENT SYSTEM

Every year Rosneft maintains its status as being one of the largest employers in the Russian Federation. The Company's workforce at the end of 2014 reached 243⁵⁰ thousand people and increased compared to the previous period due to the acquisition of new assets, including Orenburg Drilling Company LLC, Bishkek Oil Company CJSC, Weatherford International plc. oilfield service assets, as well as due to development of current business and operations.



« EVERY YEAR ROSNEFT MAINTAINS ITS STATUS AS BEING ONE OF THE LARGEST EMPLOYERS IN THE RUSSIAN FEDERATION ».

The Company's key priority in personnel and social policy is ensuring that all processes and units in the Company have sufficient number of skilled and motivated staff. To implement this priority, the 2014–2020 HR Strategy has been developed and approved at the Company.

The Company puts an emphasis on the following personnel and social policy priorities within the HR Strategy:

- management of labor efficiency through improvement of personnel management and motivation systems, among other means by implementation of best practices for a labor productivity increase and the system of talent pool capacity regular appraisal;
- management of employees' knowledge and competencies, including strengthening the corporate training system and support of the government policy in the sphere of professional education;
- management of the headcount and staffing through the personnel requirement forecast, establishing a system of personnel mobility, rotation, recruitment and retention, and forming a talent pool;
- quality management of the corporate HR services, including, among other things, establishing of HR data quality monitoring and management systems, optimization of HR business processes, development and improvement of the Company's HR staff expertise.
- increase of operating efficiency and provision for entry into new regions by creating optimal social and living conditions at production site, improving of the system of medical support, including medical support in unfavorable and extreme conditions, and providing optimal conditions for staff involved in international projects;
- management of social stability, including by means of improvement of social benefits package, implementation of a regular monitoring system for increasing employees involvement and loyalty through arrangement and holding of sports, cultural and professional events;
- building of corporate culture and internal communications management, including harmonization of corporate culture, development of internal communications system, information support of changes and promotion of a unified corporate history;
- management of stakeholder engagement within the framework of social partnership, including enhancing the image of a socially responsible Company and support of a project aiming to improve the social and economic development of the Company's regions of operation.

⁵⁰ Hereinafter personnel data are provided according to the Company's centralized business planning boundaries in 2014, unless otherwise stated. By 2014 year end, total workforce including Tomskneft VNK OJSC reached 247 (+4) thousand persons.

THE COMPANY'S KEY PRIORITY IN PERSONNEL AND SOCIAL POLICY IS ENSURING THAT ALL PROCESSES AND UNITS IN THE COMPANY HAVE SUFFICIENT NUMBER OF SKILLED AND MOTIVATED STAFF.

The Company launched a project to create a single HR and payroll template solution based on an integrated information platform in 2014. The solution is planned to be rolled out across the main group subsidiaries once the pilot project is over. Below are the key benefits from this large-scale project:

- reducing the risk of employee personal data leak due to a set of consistent data protection measures in the rolled-out solutions;
- building a single Company-wide methodology management system for HR and payroll processes, possibility of end-to-end control of the compliance with labor law and Company's internal policies.
- standardizing the Company's HR and payroll end-to-end processes;
- optimizing routine HR processes (including reporting), reducing the workload required to maintain HR and payroll processes.

243

THOUSAND – TOTAL NUMBER OF EMPLOYEES

Opinion Poll

A comprehensive sociological study was carried out in 2014 to evaluate the level of employee awareness and satisfaction with staff and social programs across the Company's 49 key subsidiaries. The study was carried out by the Russian public opinion research center together with RPI agency.

The target audience consisted of workers, engineers, line managers and top managers of enterprises. The study covered 10,250 respondents, 78 focus groups, and 92 expert interviews. The findings of the study comprised the following basic observations:

- The employees name Stability and Development as the main Company characteristics;
- All employees demonstrated high level of awareness about existing social programs, and social package satisfaction has an average grade of 4.5 out of possible five.
- The majority of employees stress the importance of observing occupational health and safety regulations (4.4 points out of 5);



- High value and need for corporate events was pointed out;
- The majority of the employees (72%) know about the Security Hotline.

The following directions for further development can be highlighted based on the employees' considerations expressed in the study: improve employee awareness regarding the Company's plans and prospects; levelling borders

between enterprises' subcultures and development of the Program of Safety Culture, Environmental Protection and Leadership Improvement.

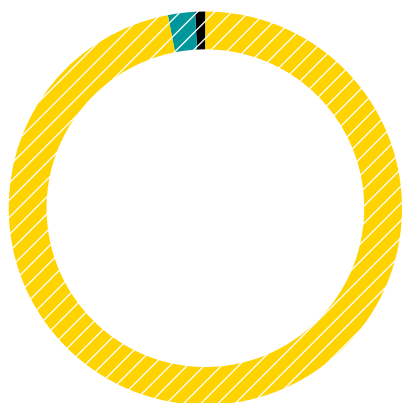
The Company developed an action plan to implement the corresponding corrective changes.



PERSONNEL STRUCTURE

The distribution of personnel by country of operation did not change significantly in 2014. The vast majority of employees (97.1%) work in Russia. In foreign countries, the largest percentage of personnel (2.3%) worked in the Company's subsidiaries in Ukraine. Due to the current unfavorable conditions in Eastern Ukraine, a decision was made to employ part of the staff that worked there to enterprises situated in Russia. To this effect, a special relocation package was developed and approved, that has allowed to relocate and accommodate employees and their families at a new place of work.

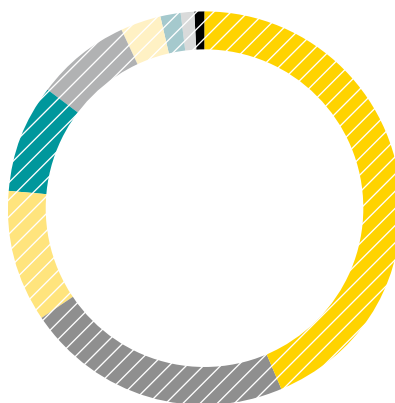
WORKFORCE BY COUNTRY, PERSONS



●	236,030	Russia
●	5,493	Ukraine
●	1,500	Other Countries

As of the end of 2014, the number of managers was 12.8% occupied managerial positions. Women accounted for 34% of the Company's employees in the reporting period. For more detailed data and charts related to personnel structure, see the Key Sustainability Performance Indicators section (p. XX).

WORKFORCE BY COUNTRY ASSETS (EXCEPT FOR RUSSIA AND UKRAINE), PERSONS



●	657	Belarus
●	328	Kyrgyzstan
●	161	Vietnam
●	137	Venezuela
●	117	Abkhazia
●	47	Latvia
●	25	Brazil
●	19	Switzerland
●	9	Poland

COMPANY'S HR MANAGEMENT PERFORMANCE IN 2014

PERSONNEL REMUNERATION

In 2014, the sum of social expenditure, benefit payments and one-time bonuses included in the gross payroll per one employee amounted to RUB 39.2 thousand.

In the course of developing the unified remuneration system, which remuneration was initialised in 2013, the decision was made to differentiate it by main business segments. Specifically, in 2014, to increase motivation and responsibility of employees for their individual performance, a unified targeted concept of monthly bonus payment system was implemented for employees of Refining and Petrochemicals business segment. Similar systems will be developed in the future for other business segments of the Company, taking into account the specific nature of operations.

Labor productivity and efficiency improvement in all business segments is one of the Company's key priorities. To fulfill this priority, the Company started development and approval of labor productivity quantitative indicators for all business streams. In 2014 such indicators were approved for standard oil and gas production, oil refining and oil products supply subsidiaries.

As consistent with the requirements of the Russian Federation legislation and subsidiaries' collective bargaining agreements, Rosneft annually performs indexation of employee salaries. For example, on April 1, 2014, salaries were increased by 5%. To further increase the attractiveness of the Company as an employer, and to maintain a competitive level of remuneration, additional targeted salary increases are provided for certain groups of employees in some regions. As a result, in the reporting period, the average monthly salary across all Company subsidiaries reached RUB 64,933. The average salary paid by most Rosneft subsidiaries traditionally exceed-

ed the average monthly salary paid in the corresponding regions. A scheduled salary indexation of 7.5% was performed in subsidiaries on April 1, 2015.

The Company develops special compensation packages for involvement of highly skilled staff for the purpose of realization of its significant project. In 2014, such packages were developed for staff involved in international projects in compliance the legislation of the corresponding countries.

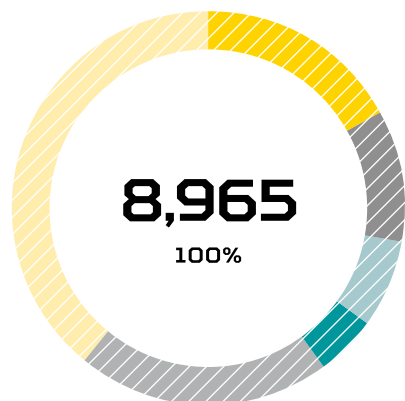
An important element of the HR management policy is the system of key performance indicators (KPIs). Company

performance indicators and individual performance indicators for the top managers for the purpose of year-end bonus payments are approved annually and depend on the Company's strategy, business targets for the particular year, and the government authorities' requirements. The KPI system extends down to the level of the heads of the departments heads at the Company head office and to the level of general director and deputy general director at subsidiaries.

Traditionally at Rosneft, KPIs include indicators related to injuries rate, oil losses, etc. As per request from the Russian Federation executive bodies,

the following KPIs were set as additional indicators for 2014: return on average capital employed (ROACE), the cost reduction rate and Innovation Development Program fulfillment indicator. In 2015, new HSE KPIs will be developed due to introduction of such position as the Vice President for Health, Safety, and Environment.

SOCIAL EXPENDITURES, BENEFIT PAYMENTS AND ONE-TIME BONUSES INCLUDED IN THE GROSS PAYROLL IN 2014, RUB MLN



- 17% ● 1,488 Expenditures on voluntary medical insurance (VMI)
- 11% ● 996 Health improvement of employees and their family members
- 7% ● 658 Retirement payments
- 5% ● 450 Termination payments
- 21% ● 1,835 Other social expenditures
- 39% ● 3,538 Benefit payments and one-time bonuses included in the gross payroll

39.2

THOUSAND RUBLES - THE SUM OF SOCIAL EXPENDITURE, BENEFIT PAYMENTS AND ONE-TIME BONUSES INCLUDED IN THE GROSS PAYROLL PER ONE EMPLOYEE

64.9

THOUSAND RUBLES - AVERAGE MONTHLY SALARY AT ROSNEFT SUBSIDIARIES



COMPARISON OF MONTHLY SALARIES IN SELECTED ROSNEFT SUBSIDIARIES AND IN THE REGIONS OF THEIR OPERATION IN 2014, RUB PER MONTH

Key regions of operation	Subsidiary	Average salary by the subsidiary in 2014	Average salary in the respective region in 2014 ⁵¹	Ratio of average salary at the subsidiary to average salary in the region in 2014, %
Arkhangelsk Region	RN-Arkhangelsknefteprodukt LLC	29,862	33,151	90
Irkutsk Region	Angarsk Petrochemical Company OJSC	53,689	31,407	171
	Angarsk Polymer Plant OJSC	50,536	31,407	161
	Irkutsknefteprodukt CJSC	33,279	31,407	106
	Verkhnechonskneftegaz OJSC	97,180	31,407	309
Krasnodar Territory	RN-Krasnodarneftegaz LLC	43,816	25,979	169
	RN-Tuapse Refinery LLC	50,480	25,979	194
	RN-Tuapsenefteprodukt LLC	36,566	25,979	141
	RN-Kubannefteprodukt OJSC	22,615	25,979	87
Krasnoyarsk Territory	Vankorneft CJSC	125,253	34,073	368
	East-Siberian Oil and Gas Company OJSC	108,130	34,073	317
	Achinsk Refinery VNK OJSC	61,102	34,073	179
	RN-Krasnoyarsknefteprodukt LLC	50,841	34,073	149
Orenburg Region	Buguruslanneft LLC	39,961	23,531	170
	Orenburgneft OJSC	54,730	23,531	233
Primorsky Territory	Eastern Petrochemical Company CJSC	114,474	32,441	353
	RN-Nakhodkanefteprodukt LLC	45,786	32,441	141
Republic of Dagestan	Rosneft-Dagneft OJSC	22,173	19,398	114
	Dagneftegaz OJSC	19,457	19,398	100
Republic of Ingushetia	RN-Ingushneft OJSC	21,867	21,910	100
	RN-Ingushnefteprodukt LLC	20,435	21,910	93
Komi Republic	RN-Severnaya Neft LLC	97,769	39,750	246
Ryazan Region	Ryazan Refining Company CJSC	63,081	23,791	265
	Ryazannefteprodukt OJSC	26,641	23,791	112
Samara Region	Samaraneftegaz OJSC	51,378	25,941	198
	Kuibyshev Refinery OJSC	47,489	25,941	183
	Novokuibyshevsk Refinery OJSC	47,249	25,941	182
	Syzran Refinery OJSC	48,971	25,941	189
	Novokuibyshevsk Oils and Additives Plant LLC	45,820	25,941	177
	Samaranefteprodukt OJSC	22,248	25,941	86

⁵¹ Hereinafter the average salaries by Russian region are cited according to the data of the Federal State Statistics Service found at www.gks.ru

IN THE REPORTING PERIOD, THE AVERAGE MONTHLY SALARY IN MOST SUBSIDIARIES OF THE COMPANY TRADITIONALLY EXCEEDED THE AVERAGE SALARY IN THE RESPECTIVE REGIONS.

Key regions of operation	Subsidiary	Average salary by the subsidiary in 2014	Average salary in the respective region in 2014	Ratio of average salary at the subsidiary to average salary in the region in 2014, %
Saratov Region	Saratov Refinery OJSC	52,161	22,002	237
	Saratovnefteprodukt OJSC	22,677	22,002	103
Sakhalin Region	RN-Sakhalinmorneftegaz LLC	80,598	54,533	148
	RN-Shelf-Far East CSJC	193,510	54,533	355
Stavropol Territory	RN-Stavropolneftegaz LLC	37,334	22,557	166
	Rosneft-Stavropolye OJSC	26,488	22,557	117
Tyumen Region	Tyumenneftegaz OJSC	183,675	54,471	337
	RN-Uvatneftegaz LLC	104,555	54,471	192
	Tyumen Petroleum Research Center LLC	145,978	54,471	268
Khabarovsk Territory	RN-Komsomolsk Refinery LLC	63,374	36,260	175
Khanty-Mansyisk Autonomous District	RN-Yuganskneftegaz LLC	82,248	57,898	142
	Varyoganneftegaz OJSC	105,982	57,898	183
	RN-Nyaganneftegaz OJSC	92,045	57,898	159
	RN-Nizhneartovsk OJSC	96,799	57,898	167
	Samotlorneftegaz JSC	88,042	57,898	152
	Krasnoleninsky Refinery LLC	77,353	57,898	134
	Nizhneartovsk NPO LLC	82,387	57,898	142
Zapsibnefteprodukt LLC	48,430	57,898	84	
Chechen Republic	Grozneftegaz OJSC	25,856	22,164	117
	RN-Chechennefteprodukt LLC	13,707	22,164	62
Yamal-Nenetsk Autonomous District	RN-Purneftegaz LLC	86,163	74,502	116



PERSONNEL TRAINING AND DEVELOPMENT SYSTEM

Rosneft ensures strengthening of its workforce capacity through the continuous education system within the framework of which the Company:

- implements its Youth policy (the system of continuous education School – University – Company);
- implements corporate trainings following the current, strategic and innovative business objectives;
- supports the government policy in the field of professional education.

Personnel development programs are conducted at the Company's 59 own training sites in the business segments of Exploration and Production, Refining and Petrochemicals, and Commerce and Logistics, as well as through cooperation with the leading national and foreign institutions of higher education.

Guided by the best international practices, the Company puts much effort into developing its own training facilities. In 2014, the Company started implementation of the Program of supplying subsidiaries (training facilities) of Refining and Petrochemicals business segment with process simulators which is planned till 2020.

Process Simulators Provision Program

The objective of achieving the required level of training for process units' personnel and minimization of occupational hazards requires timely development of practical skills and competencies with the help of computer-based process simulators.

As part of the refineries upgrading program, in 2014, Rosneft developed and approved the Program of supplying subsidiaries (training facilities) of Oil refining and Petrochemicals business segment with process simulators to enable the operational staff working at hazardous industrial facilities to develop their practical skills and competencies and participate in emergency drills. The program is planned for the period 2014-2020 and contains

a list of 167 computer-based simulator complexes which launch schedule is aligned with the launch schedule of new and upgraded refinery process units. The estimated cost for the Program implementation in the course of 2014–2020 amounts to RUB 3.1 bn.

The Company acquired 28 simulator complexes for Exploration and Production and Oil refining and Petrochemicals business segments that have already proved their efficiency in 2014.



Training Center at Samaraneftegaz OJSC

Rosneft and General Electric Joint Training Program

The Rosneft and General Electric joint program enabled over 80 managers and technical specialists to take technical courses and trainings building leadership and self motivation in 2014. The resources of Sapphire applied engineering and trading center Sapphire were utilized in the training program.

When training executives, special attention was given to development of managerial capacity and leadership competencies. In the course of the training program for technical specialists, a practical seminar was held at REP Holding plant, where General Electric's gas turbines production localized in Russia.

personnel skill level, the Company has created and implemented targeted corporate programs Mentoring and Worker Development and School of Excellence. Altogether, 84 trainers for the School of Excellence program and 328 mentors for workers were trained in 2014.

Rosneft distinguishes the following key personnel categories and uses special development tools for each of them:

- Young specialists are integrated in the corporate adaptation and competence development program;
- Blue-collar workers get authorization to work, take part in purpose-made courses, and corporate programs for practical skills development;
- Engineers and technicians participate in professional and technical competencies development programs, project team preparation programs and professional internship programs;
- Talent pool employees participate in corporate and management competencies development programs, and attend career enhancement programs, including MBA;
- Executives participate in tailor-made programs aligned with business strategy, and join international conferences and forums;
- Top management use individual coaching and strategic sessions.

A key element of personnel development is the corporate system of internal training that focuses on systematization, accumulation and transfer of professional knowledge, methodology and corporate standards within the Company. Over 2 thousand internal trainers and training center lecturers have been trained, and a corporate system of distant training and knowledge testing has been implemented.

The Company operates a system of integrated personnel evaluation aiming to implement corporate requirements for employees' knowledge and skills (competencies) in all business segments. Professional development record cards, competencies matrices, 1,100 profiles and over 36 thousand test questions were developed. The Competence-Based System of Personnel Evaluation Corporate Standard was developed in 2014 and is under approval. The professional and technical competencies development level of over 1,500 specialists and managers has been evaluated over the time the system has been in use. Assessment events have been held for making personnel decisions when hiring, promoting, and selecting to the talent pool and making targeted selection of talented youth, planning of training and development of the Company's personnel. In total, the assessments were completed for 13.6 thousand of Company employees in 2014.

Rosneft participates in the government project to develop industry occupational standards. A total of 9 industry-specific occupational standards were developed in cooperation with the National Oil and Gas Institute for Exploration and Production business segment. On November 27, 2014, the Minister of Labor and Social Protection signed an Order on Approval of one of the nine standards – Drilling supervisor in the oil and gas industry.

To improve efficiency and operations safety through growth in operating

13.6

**THOUSAND OF COMPANY
EMPLOYEES UNDERWENT
PROFESSIONAL
COMPETENCIES
EVALUATION IN 2014**



Best in Profession Professional Excellence Contest

The goal of professional excellence contests is to increase the prestige of worker and engineering positions, to share best practices, improve the overall professionalism level of the Company employees, and strengthen corporate spirit.

Rosneft tallied the final stage results of the 10th anniversary of the corporate contest Best in Profession in 2014. The professional contest was held at enterprises in the Krasnodar Territory, where over 400 best workers and engineers from the Company 102 subsidiaries competed in 21 nominations.

Contestants' theoretical knowledge and practical skills were evaluated. The panel of judges paid special attention to the knowledge of industrial, fire and environmental safety, occupational health and safety, and many other

aspects of operating activities. The contest participants demonstrated their practical skills at the Company's production sites. Winners and runners-up of the contest were awarded diplomas and certificates.



INTEGRATED EMPLOYEE EVALUATION SYSTEM

Indicator	2012	2013	2014
Number of developed profiles (accumulated total), pcs	380	942	1,100
Professional and technical competencies evaluation, persons	76	506	812
Corporate and management competencies evaluation, thousand persons	9.6	11.9	13.1

EMPLOYEE TRAINING IN 2014, MAN-COURSES

Indicator	2012	2013	2014
Year total	135,915	201,500	255,559 ⁵²
By category			
Managers	26,120	38,038	46,020
Talent pool	1,470	2,547	1,967
Specialists	28,950	46,809	67,055
Young specialists	2,430	3,122	5,078
Workers	76,945	110,984	135,439

⁵² The Company's personnel training in 2014 including Tomskneft VNK OJSC amounted to 261,247 (+3,225) man-courses.

SUPPORTING YOUNG SPECIALISTS

Rosneft's principal goal of supporting young specialists is to ensure their efficient work and career development through accelerated induction and adjustment, professional and management skills development, and engagement in innovative, research and project activities. A young specialist is an employee under 33 years of age during the first three years after starting his or her career who has higher professional education and who joined the Company in the graduation year. In addition, Rosneft must be their first employer.

As at the end of 2014, the number of young specialists employed by the Company totaled 3,324, while over 1 thousand young specialists join the Company every year. The institute of mentoring is used in the Company to accelerate induction and adjustment of recent graduates. A total of 2,500 mentors and 67 Young Specialist Councils worked as part of the program in 2014. A total of 5,078 man-courses were delivered as part of the young specialist training program, focusing on development of occupation-specific technical competencies and management competence.

Business games aiding in performance evaluation are held for third year young specialists every year for the purpose of identifying high potential employees for the talent pool. In 2014, 303 specialists participated in business games, while 69 of them were recommended to be included in the talent pool. The Company



Young specialists of Kuibyshev Refinery

traditionally holds regional scientific and technical conferences for young specialists on the premises of subsidiaries, and a concluding interregional scientific and technical conference for young specialists in Moscow, to maximally engage them in innovation activities and making operational improvements. A total of 1,862 persons participated in these conferences in 2014. The concluding 9th Interregional Scientific and Technical Conference (ISTC) was attended by 235 young specialists from 65 subsidiaries and 22 students from the Company's partner universities, who presented 219 projects. A total of 92 young specialists from 37 subsidiaries (70 projects) and 7 students from partner universities (5 projects) became winners of the Interregional conference. The 80 best projects presented by the conference participants were recommended for implementation. A total of 11 projects that were recommended following the results of the 8th ISTC, held in 2013, were implemented in 2014. As a result of this implementation,

additional oil production amounted to 120 thousand tonnes in the reporting year. A management competence development training was held as part of the Interregional scientific and technical conference.

A comprehensive program of career planning and development of young engineers in Exploration and Production business segment for the years 2015–2025 was developed and approved in order to ensure Company's provision with personnel and prepare highly qualified engineers for the Exploration and Production business segment.

ROSNEFT YOUNG SPECIALISTS

Indicator	2012	2013	2014
Number of young specialists employed after graduation, persons	1,065	1,069	1,197
Number of young specialists in the Company, persons	2,868	3,515	3,324
Number of young specialists – scientific and technical conferences participants	1,401	1,828	1,862
Work with young specialists program expenditure, RUB mln	67.6	77.8	88.2



FEC 2013 Contest for the best youth science and technical project addressing fuel and energy complex issues of the Ministry of Energy of the Russian Federation

The FEC 2013 Contest results were tallied and the winners were awarded in June 2014, recognizing the best youth science and technical project addressing fuel and energy complex issues. A total of 156 Rosneft young specialists and employees from 47 subsidiaries, as well as contestants from other leading Russia oil and gas companies, such as Gazprom, Lukoil, and Novatek participated in the event organized with support of the Ministry of Energy of the Russian Federation.

Young specialists of the fuel and energy complex presented individual and teamwork projects which addressed both specific and technical issues of companies and organizations, towns and regions and wider industry issues in the fuel and energy complex. Rosneft's employees presented 133 projects, 37 out of which became winners of the contest.

As part of the FEC 2013 awards ceremony, which took place at the 21st World

Petroleum Congress, Rosneft was awarded with a Ministry of Energy diploma (For Contribution to Innovation Development of the Fuel and Energy Complex) at the stand of the Ministry of Energy of the Russian Federation.

EMPLOYEE TRAINING FOR THE COMPANY'S STRATEGIC PROJECTS DEVELOPMENT

Systematic targeted corporate personnel training was provided for development of the following strategic projects of the Company in 2014:

- offshore projects;
- oil-fields development projects with hard-to-recover reserves;
- oil refining technologies development.

As part of personnel training for offshore production, 20 training courses were delivered for 160 specialists. In coopera-

tion with the Gubkin Russian State Oil and Gas University, and MSU, 4 innovative programs of extended professional education have been implemented:

- training of 12 drilling supervisors in Offshore Drilling Supervisor professional training program is completed;
- 36 specialists started professional training program Offshore Oil and Gas Fields Development;
- 36 specialists started training in two innovative professional training programs Petroleum Geology of the Russian shelves and Environmental Protection in Offshore Oil and Gas Fields Development.

Together with Gubkin Russian State Oil and Gas University, work has commenced on the creation of an Offshore Drilling Center equipped with specially built production equipment on the premises of the university. The center is going to become a basic site for professional training of the Company's offshore projects specialists.

In the course of training for specialists in hard-to-recover reserves oil production, 30 programs were conducted in 2014, including training in horizontal and sidetrack drilling, production stimulation technologies, and efficiency improvement technics for oil fields exploration and evaluation.

For the purpose of personnel training in oil refining, 26 corporate training programs were delivered for more than 350 executives and specialists of the Refining and Petrochemicals business segment in 2014, as well as 7 on-the-job trainings at refineries in Germany, Finland and Spain.

3324

**YOUNG SPECIALIST
WORKED AT THE COMPANY**

(as of the end of 2014)

5078

**MAN-COURSES WERE
DELIVERED AS A PART OF
THE YOUNG SPECIALIST
TRAINING PROGRAM**

Offshore Drilling Center

The main goal of setting up the Offshore Drilling Center is to create a base for training competitive specialists to develop offshore oil and gas fields, including those located in severe Arctic conditions, relying on local technologies and local human resources.

The total floor area of the center will amount to 724.5 square meters. The first phase of the project design work was accomplished in 2014. In 2015-2016 construction and assembly works should be carried out, high-technology

equipment would be procured, and building spaces would be decorated and fitted with equipment, software and furniture.

The Center should provide training for specialists in the following areas:

- petroleum engineering;
- production machines and equipment;
- informatics and computer hardware;
- technosphere safety;
- energy and resource saving processes in chemical engineering, petrochemicals and bioengineering.

The teaching staff that provides professional and R&D trainings have Russian and foreign academic degrees and ranks. Over 50% of the trainers have offshore work experience gained in course of development of the oil and gas fields of the Caspian Sea, Sakhalin shelf, the Barents Sea, the Obsko-Tazov Bay, and Vietnam oil and gas fields.

TALENT POOL DEVELOPMENT PROGRAM

Rosneft pays close attention to the development of corporate and management competencies of the talent pool. The focus in 2014 was on training prospective executives. A total of 1,967 man-courses were conducted for members of the talent pool during the year. A few individual and group information sessions were organized during the year for candidates' facilitators.

An important achievement was the start of two MBA programs that are delivered in cooperation with leading Russian universities. In the reported year, 34 employees began training in the International Business in the Oil and Gas Sector program at The International Institute of Energy Policy and Diplomacy of MGIMO (U) MFA of Russia, while another 29 employees entered the Operational Management program at the Higher School of Management of St. Petersburg State University. The 2015 plans include starting a third MBA program in cooperation with Gubkin Russian State Oil and Gas University.

YOUTH ENGAGEMENT IN THE REGIONS OF OPERATION

An integral part of Rosneft's continuing education concept is the School – University – Company system. Building an external talent pool begins within the framework of this program in high schools. Rosneft Classes for grades 10 and 11 are opened in strategically important regions where the Company operates, for the purpose of identifying the best students and ensuring quality teaching and the maximum enrollment rate of partner universities to study the Company's specific majors.

In 2014, 5 new Rosneft Classes were set up in Buzuluk, Buguruslan, Nyagan, Nizhnevartovsk and Novy Urengoy. As a result, there are now 87 Rosneft Classes in 43 inhabited localities in Russia. The training program covered 2,050 students.

The high quality of education in Rosneft Classes is achieved through additional profession-oriented education with the engagement of lecturers from partner universities; annual workshops for training and development of teachers are organized with awarding of state recognized certificates upon completion. In 2014, 35 physics teachers, 52 math teachers and 41 school principals advanced their skills in MSU.

87
**ROSNEFT CLASSES
OPERATE IN RUSSIA**

2050
**STUDENTS ARE COVERED
BY ROSNEFT CLASSES
PROGRAM**





RN-Class in Achinsk

Much emphasis is put on occupational guidance in Rosneft Classes. The I Want to be an Oilman book was written and published to tell students about a variety of jobs and careers in the oil and gas industry. In addition, in 2014, a total of 9 Ladder to Success workshops were delivered to the 10th grade students, with over 1 thousand students participating in them. Out of 983 students who finished school in 2014, 945 entered universities, and 522 out of them entered industry specific majors.

To ensure an influx to the Company of the required number of young talents from among the best university graduates, external talent pool activities are continued at institutions of higher education. One of the important objectives of the Company is to ensure that at least 30% of Rosneft Classes graduates return to the Company enterprises after receiving industry specific higher education.

Rosneft and its subsidiaries have long-term cooperation agreements with 34 higher education institutions in the country, 13 out of which were awarded with the status of a strategic partner. The Company supports 13 base departments in leading universities. Universities and the Company have been partners in the sphere of training skilled professionals for the majors that are in demand in

the oil and gas industry for a few years already. The Company signed 7 more cooperation agreements in 2014. Three cooperation agreements – with MGIMO Russia’s Ministry of Foreign Affairs, the Gubkin Russian State Oil and Gas University, and the St. Petersburg Academic University were signed during the 18th International Economic Forum in St. Petersburg. Furthermore, Rosneft entered into a partnership with the Plekhanov Russian University of Economics and Admiral Nevelsky Maritime State University.

Due to business development, the Company performed monitoring of the leading universities that train specialists in ship design, construction and operation and ship repair. Cooperation agreement drafts were prepared to be signed with Admiral Makarov State University of Maritime and Inland Shipping and the State Marine Technical University of St. Petersburg.

The partner universities run specialized Master programs and professional upgrade programs for staff in accordance with the Company requirements. The Company awarded its grants to over 30 university lecturers.

The Company pro-actively engages students in preparation for future work. In 2014, over 14,800 students partici-

pated in the Company image events: Rosneft Days, student festivals, and Rosneft Tomorrow business games. Over 4,800 students did internships within the Company in 2014. To support talented students, in the reported year they were awarded and paid 500 corporate scholarships. In addition, corporate scholarship fellows have a priority right to subsequent employment in the Company.

The year 2014 saw the start of implementation of international cooperation agreements, according to which international students from Cuba and Mongolia should be trained at Russian universities with Rosneft’s financial and organizational support. In 2015, the plans are to expand the program and provide training at partner universities to specialists for international projects, including students from Venezuela.

DEVELOPMENT OF THE ROSNEFT CLASSES PROJECT

Indicator	2012	2013	2014
Number of Rosneft Classes	78	82	87
Number of students	1,967	2,023	2,050
Number of regions	19	20	20
Investment into Rosneft Classes, RUB mln	88.9	109.2	126.1

Ladder to Success Workshop

From August to November 2014 Rosneft held a Ladder to Success occupational guidance and team building workshop for students of the newly organized 10th Rosneft Classes at 9 sites across the country. 1030 students from 42 settlements attended the workshop. For Rosneft Classes of Far East region workshop was held in August in the Vrangel settlement, Primorsky Territory.

The workshop started with a presentation that told about Rosneft, the areas of its operation, and about the prospects of working in the oil and gas industry.

The main training consisted of a few modules: Introduction and Team Building, Professional Identity and Setting Life Goals, Personal Self-Presentation is My Potential, and the business games Best Use and Pathfinders in Search of Black Gold. In addition to training events, presentations of every Rosneft class were shown, and all students and accompanying teachers took part in the How to Become an Ideal Team gala concert.



DEVELOPMENT OF COOPERATION WITH UNIVERSITIES

Indicator	2012	2013	2014
Number of partner universities	27	30	34
Number of students at internships	3,596	3,822	4,833
Expenditure for cooperation with universities, RUB mln	213.5	216.2	492.3

FINANCING OF CONTINUOUS EDUCATION SYSTEM INITIATIVES IN 2014, RUB MLN

Initiative	2014
Skills development programs at universities	68.6
Development of a pre-university training system	126.1
Cooperation with universities (development of university facilities and resources, internships and professional training system, grants to lecturers)	492.3
Work with Young Specialists	88.2
Conferences arrangement and participation	16.2
TOTAL	791.4



Cooperation with Cuba

In May 2014, Rosneft, Union Cuba Petroleo, and the Gubkin Russian State Oil and Gas University signed a service agreement for staff training.

According to the agreement, Rosneft shall cover training costs for 20 engi-

neers of the Cuban company who already started their training in September 2014. The students will be provided with Master's programs in petroleum engineering and chemical technologies. The Company will not only provide financial support to the project,

but will also arrange internships for the engineers to do on-the-job practice at its production facilities and familiarize them with innovations in the sphere of oil and gas production.

Rosneft Day in the Far Eastern Federal University

In November 2014, Rosneft held traditional Rosneft Day in the Far Eastern Federal University (FEFU) as part of interaction with Russian higher education institutions.

This partnership started soon after Rosneft decision to build a high-capacity oil refining and petrochemical complex in the Primorsky Territory. The project is

implemented by Eastern Petrochemical Company CJSC. The Eastern Petrochemical Company CJSC has initiated new training programs at FEFU and supported the development of its facilities and resources since 2011. In the course of cooperation, a base Rosneft department was set up; students are offered internships at the oil company's operating enterprises.

As part of the event, 30 students and 11 lecturers of the Far Eastern Federal University were awarded certificates for corporative scholarships and grants. Moreover, students familiarized themselves with the Company subsidiaries operating in the Far East and Eastern Siberia.

FINANCING EDUCATION OF EMPLOYEES AND THEIR FAMILY MEMBERS

The Company developed the Regulation Provision of Interest Free Educational Loans to Group Employees in 2014, for the purpose of financing training of the Company employees and their children. Participation in the program is possible for employees who have no basic higher or

vocational high education in a profession connected to their job, and employees whose children of 16 and older are full-time students of higher or vocational high institution, and who pay for their training. The loan is provided to participants of the program for no longer than one year with the possibility of annual extension during the course of training; the loan does not exceed RUB 150,000.

CREATION OF A FAVORABLE WORK ENVIRONMENT

Rosneft takes comprehensive measures aimed at creating a decent working environment at the Company's production and welfare facilities. Special emphasis is put on development and improvement of 78 shift camps, which in 2014 accommodated over 20 thousand Company and contractor employees.

Every year the Company performs on-site checks of the camps for the purpose of monitoring living conditions, quality of the integrated maintenance service and compliance with safety regulations. A total of 8 such checks took place in 2014.

Furthermore, the Company Guidelines Provision of Meals to Employees were updated in 2014.

Rosneft spent RUB 9.68 bn on development of occupational social services in 2014, including RUB 1.63 bn allocated for construction of new shift camps, with RUB 2.4 bn invested in development and improvement of the operating shift camps, support bases and other recreational and living facilities. In 2014, RUB 152.4 mln was allocated for construction of office and amenity complexes at the oil fields. Occupational social infrastructure facilities maintenance expenditure amounted to RUB 6.24 bn.

On-site Conference at the Vankor Production Site

In August 2014, as part of Rosneft's 2014–2020 social strategy implementation to provide optimal social and living conditions at established and new operations with regard to up-to-date requirements, an on-site conference of the key social staff was prepared and held at Vankorneft's CJSC Vankor production site.

The principle objectives of the conference were:

- familiarization, sharing experience and best practices, obtaining new knowledge in provision of non-operational services, integrated servicing and improvement of shift camps in compliance with the Company standards;
- consultations on the acting local regulatory documents and those scheduled for introduction in the occupational social service;

- explanations regarding non-operational services purchasing for the needs of Rosneft's subsidiaries;
- proposals preparation regarding a unified approach to integrated maintenance service and provision of meals to employees at Company fields.

In the course of the conference, the participants visited the main occupational social and living facilities at Vankor field, including shift camps, operations base, hotel and the long wait departure lounge building at Igarka Airport, listened to reports and presentations of the persons in charge, conducted a panel discussion of the most urgent questions, and drafted recommendations and an action plan for the period to 2016.

9.68

**BILLION RUBLES –
EXPENDITURE ON
DEVELOPMENT OF
OCCUPATIONAL SOCIAL
SERVICES**

6.24

**BILLION RUBLES –
EXPENDITURE ON
OCCUPATIONAL SOCIAL
INFRASTRUCTURE
FACILITIES MAINTENANCE**



PERSONNEL HEALTHCARE

The Company has been delivering a set of healthcare programs and measures aimed at providing staff with timely and quality medical service, arrangement of recreation and health resort rehabilitation, disease prevention and promotion of a healthy lifestyle for many years. Rosneft healthcare expenditure in 2014 amounted to RUB 2.8 bn.

One of the most significant events in the sphere of healthcare in 2014 was implementation of the Action Plan prepared in cooperation with Karmorneftegaz SARL for healthcare system development and personal insurance coverage of Rosneft and contractor employees for projects on the Arctic shelf and in Eastern Siberia; at the moment this Plan is unique to Russia.

Development of medical support provision to the employees operating on the Arctic shelf is complicated by many factors, among which are adverse weather conditions, oceanographic and environmental conditions in the region, scarce medical infrastructure on the Kara Sea coast and limited capacity of air medical service. This explains the unique character of the actions performed within the framework of the Plan:

- audit of medical facilities on the Kara Sea coast based on which medical facilities were selected for emergency, specialized and high-technology medical care;



- drafting proposals for development of coastal medical infrastructure on the Kara Sea Arctic Shelf;
- approval of medical requirements to be included in the agreements with contractors when operating on the Kara Sea shelf;
- development of a strategic level emergency medical evacuation plan for each work site;
- setting up and equipping health posts on ships and the floating drilling rig, including arrangement of telemedicine terminals on 3 ships;
- recruitment of highly qualified medical staff trained in up-to-date standards of administering medical aid;
- arranging round-the-clock operation of a special team of managers who coordinate and support medical staff in the operations area.

In 2014, diagnostic capabilities of health posts located on floating drilling rig and ships helped to avoid emergency medical evacuation in 27 cases of acute medical emergency, thus saving work time, resources and reducing the number of dangerous transportation operations.

In 2014 to develop an advanced model for medical aid to employees operating in the conditions of the Russian Arctic Shelf, in 2014 the Company signed an agreement with the MSU National Intellectual Development Foundation that

- supports scientific research of students, postgraduates and young researchers to carry out research work on Improvement and Management of Healthcare Quality and Efficiency For Those Who Work on the Arctic Shelf. Medical documents were developed as part of the project, including:
 - the concept of the system of medical support for the Company personnel working on the Arctic Shelf;
 - Healthy Lifestyle Promotion Program for shelf employees;
 - telemedicine system project to provide medical support to Rosneft and contractor employees.
- Quality and Efficiency Criteria of Medical Support to Employees, Risk and Health Assessment of Employees Operating in the Arctic Shelf Areas advisory Guidelines (partial implementation will begin in 2015).

An important result in 2014 was development of draft Regulation on emergency medical aid to establish joint standards for Rosneft and its subsidiaries' production facilities. The Regulation provides requirements for health posts equipment and types of health posts, qualification requirements and responsibilities of health post medical workers and emergency medical response. Also, the Regulation states that contractor and subsidiary employees must observe its requirements, and it must be provided for in the agreement.

1.5

**BILLION RUBLES –
EXPENDITURE ON
VOLUNTARY MEDICAL
INSURANCE**

HEALTHY LIFESTYLE PROMOTION IS ONE OF THE BASIC COMPONENTS OF COMPANY SOCIAL POLICY.

Another important 2014 event in the sphere of healthcare was preparation of a Plan to set up and develop a Center of Industrial Medicine and High Technologies on the premises of Medical Station No. 36 in Angarsk, Irkutsk Region. The implementation of the Plan started, premises were renovated, medical equipment was acquired, medical personnel was trained, and provision of medical services to subsidiaries and contractor employees in shift camps began.

Rosneft traditionally pays great attention to arrangement and development of health resort rehabilitation and recreation of its employees. In 2014, a new updated version of the Company Regulations on The Procedure for Provision of Health Resort Rehabilitation Treatment to the Employees of the Group was put into effect. During the year, health resort treatment and recreation was provided to 52 thousand Company employees and their family members. RUB 922.5 mln was spent for this purpose.

As part of the employee recreation and medical treatment plan, vouchers to health resorts in Crimea were acquired for 1,591 Company employees and their family members in 2014. As part of the Cooperation Agreement with Cuban partners, a program for recreation in the Republic of Cuba was successfully carried out for 1,940 persons.

The Company utilizes its own health resorts situated in different regions for the purpose of prevention and treatment of many occupational diseases. As of now, Rosneft owns 21 health resorts. In 2014, 28.7 thousand Company employees, members of their families and retirees have enjoyed recreation and rehabilitation in the Company health resorts.



As of the end of 2014, the voluntary medical insurance covered 182 thousand persons, including Company employees, members of their families, and retirees. Voluntary medical insurance expenditure in 2014 amounted to RUB 1.5 bn. Voluntary medical insurance coverage has been provided by SOGAZ OJSC since 2013. Due to the decision made to keep the cost of voluntary medical insurance programs in 2015 at the 2014 level, optimization of the voluntary medical insurance programs for the Company head office and subsidiaries' employees for 2015 was conducted in cooperation with SOGAZ OJSC and the work on its harmonization was started.

The Company has been requiring compulsory accident insurance for employees since 2013. In 2013 Alliance insurance company was chosen as contractor for this type of insurance with the term of office for contracts execution from the beginning of 2014 till the end of 2016. To implement the assignment given by the Company President regarding enhancing responsibility of contractors for the life and health of their employees, proposals were developed for involvement of

contractors in the system of voluntary accident insurance of employees. Within the framework of implementation of these proposals, at the procurement procedures stage Company subsidiaries include the requirement for agreements on insurance against occupational incidents for the term of the project life.

Healthy lifestyle promotion is one of the basic components of Company social policy. In line with this area of focus, health days were organized for the Company employees under the slogan Healthy Heart; 1,290 employees participated in these events. Health days are held as part of the Live Longer! comprehensive initiative implementation aimed at engaging employees in sports, promoting a healthy lifestyle, and information support on preventing diseases and strengthening health of employees.

922.5

**MILLION RUBLES –
EXPENDITURE ON HEALTH
RESORT TREATMENT
AND RECREATION FOR
52 THOUSAND COMPANY
EMPLOYEES AND THEIR
FAMILY MEMBERS**



Trip to Cuba for Children of Company Employees

A trip for Company employees' children to Cuba was organized in June 2014. Melia Varadero five-star hotel was the host party. The trip consisted of children's guided tours, daily sports and cultural events.

An important factor was provision of a high level of security on the trip. To this end, a pre-visit audit of the hotel was conducted, a round-the-clock health post was set up, medication, bandages and diagnostic equipment was brought to the hotel, and Company employees accompanied the groups of children.

A lot of positive feedback was received after the trip, as well as requests to make such trips a regular practice.



Healthy Heart Event

With the purpose of drawing employees' attention to taking care of their health, a Healthy Heart event was organized in the Moscow offices of the Company in August 2014.

Over 450 staff had a chance to consult and get advice from a cardiologist, assess the risk of cardiovascular pathology, and check their blood pressure, cholesterol and glucose.

Every participant was provided with the results of the check-up, which might be used for future reference when visiting a doctor. In the future, Health Days are scheduled to be held in other Company offices and subsidiaries.



Housing Construction in Achinsk

At present, Rosneft is building a petroleum coke production installation, hydrocracking installation and refinery utilities facilities at Achinsk Refinery VNK OJSC as part of the refinery upgrade program. The purpose of upgrading is to increase the Euro 5 emission standard petroleum production volume and oil conversion ratio to 96%. When new capacities are put in operation, the refinery will have 800 new work places. Hence, the Company is building a new residential complex in the Privokzalny District of the town where families of the refinery employees traditionally reside. The design of the complex consists of five seven-

storey buildings and five ten-storey buildings for 705 apartments, with a total area of 50312.13 thousand square

meters; the design provides for an underground car park and social life and cultural facilities.



PROVIDING DECENT HOUSING CONDITIONS

The Rosneft comprehensive housing program traditionally includes some basic components:

- corporate mortgage loans;
- housing construction;
- provision of non-resident employees with corporate housing.

A total of 885 Company employees improved their living conditions in the reported year. The total program expenditure amounted to RUB 1,556 mln.

The Company has had a corporate mortgage program since 2005. It provides employees with a non-interest loan in the amount of 25%–35% of the apartment cost. In addition, the other part of the apartment cost is financed by partner banks – Russian Regional Development Bank and Dalnevostochny Bank. Mortgage loans are given for a period of 17 years at a soft annual interest rate of 8–10% in rubles. Company employees that have no housing property in personal possession or in possession of a family member in the inhabited locality where they have a full-time job are eligible for the mortgage program, as well as employees improving their living conditions. One of the key eligibility

criteria of the program is the length of employment with Rosneft of two years (for employees under 34 years old) and three years (for other employees).

Over 5 thousand Company employees have participated in the mortgage program since it was launched. In 2014, mortgage loans were given to 880 families of employees, totaling RUB 685 mln of expenditure. Highly qualified Company employees from other towns are provided with company-owned lodging. The total company-owned lodging fund consists of over a thousand apartments.

In 2014, 367 company apartments were provided from the existing lodging fund. Furthermore, in the reporting period 535 apartments were rented out from the existing homes market in addition to the existing rent agreements in regions to provide housing for the families of employees.

The Company erects apartment building for its employees in several regions. In 2014, linked to upgrade of refining capacities and a scheduled increase in headcount housing construction was going on in Tuapse, Achinsk, and Komsomolsk-on-Amur. Company housing construction expenditure in 2014 amounted to RUB 854.8 mln.

885

COMPANY EMPLOYEES IMPROVED THEIR LIVING CONDITIONS IN 2014

1556

MILLION RUBLES – EXPENDITURE ON COMPREHENSIVE HOUSING PROGRAM

854.8

MILLION RUBLES – EXPENDITURE ON HOUSING CONSTRUCTION IN 2014



COLLECTIVE BARGAINING AGREEMENT

As at the end of 2014, over 168 thousand⁵³ of Company employees were participants of collective bargaining agreements. The share of the personnel covered with collective bargaining agreements amounted to 69% of the total Company workforce.

One of the significant events in the sphere of social labor relations that happened in 2014 was putting into effect the new Collective Bargaining Agreement Template, universal to all subsidiaries.

The new version of the Collective Bargaining Agreement Template is created in such a way that enterprises are free to determine the best scope of social benefits and compensations from the full list that the subsidiary can provide based on its financial possibilities. Subsidiaries moved to the new Collective Bargaining Agreement starting July 1, 2014 previous Collective Bargaining Agreements expired.

Compared to the previous document, the new Collective Bargaining Agreement Template has a substantially extended number of additional benefits and improved conditions for provision of certain current guarantees and compensations. The new version contains improved approaches to provisions of employees with vouchers for health resort treatment, hot meals, support to large families, the employer's responsibility and accident compensatory payments due to the employer's fault. The new version of the Template shows a more integrated approach to personnel social security. The priorities of the Template Agreement are still the following:

- benefits and compensations aimed at retaining and attracting workforce to the regions of the Far North and equated localities. For better usability

⁵³ Headcount covered with collective bargaining agreements at the end of 2014, including Tomskneft VNK OJSC, reached 172 (+4) thousand persons. Including Tomskneft VNK OJSC at the end of 2014, 70% are covered with collective bargaining agreement.



Discussion of the collective bargaining agreement at RN-Yuganskneftegaz LLC

these benefits are collected in a separate paragraph of the document;

- social support of low-income groups of employees and members of their families as well as employees who experience hardships;
- social support of retirees.

Work on the Template Agreement was performed in close collaboration with Rosneft Interregional Labor Union, and thus addresses personnel wishes and preferences and contains benefits exclusively requested by employees.

PARTNERSHIP WITH LABOR UNIONS

As at the end of 2014, there were 141 primary labor unions in the Company that united around 116 thousand employees of the Company.

The most significant positive step in improving social and labor relations between the Company and the Rosneft Interregional Labor Unions (ILU) was joint work on additions to the Collective Bargaining Agreement Template. The work group that prepared the new revision of the Template Agreement consisted of the ILU Council representatives of various professions from all regions of operation and the Company HR segment staff. The group analyzed the current Collective Bargaining Agreements and made amendments and additions to 35 clauses of the current Collective Bargaining Agreement Template. As a result of joint effort, employees received new benefits in payroll, health resort provision and compensation of some expenses.

In October 2014, a traditional meeting of labor union activists from the Company subsidiaries and the Interregional Labor Union with the management of the HR and the Social Policy segments was held in Moscow. Annually at such meetings

the management covers Company operating performance as well as HR measures and outline prospects of the further development. Labor unions representatives ask important questions that are of interest to employees, and make suggestions for enhancement of employees social stability. Such meetings present an efficient tool of mutually beneficial cooperation between employers and representatives of employees. Labor union leaders get an opportunity for holding a direct dialog with the management of the Company HR and the Social Policy segments, the results of which are then communicated to personnel, thus giving every employee a feeling of the Company participation in protection of their interests.

Being a socially responsible partner of production labor relations, ILU takes an active part in addressing occupational health and safety issues. Joint health and safety commissions were set up and operate in primary labor unions within the ILU structure. The scope of their attention includes monitoring creation of the safe working environment, occupational incidents and occupational diseases prevention, development of the occupational health training, and other aspects of occupational health and safety. In 2013–2014 health and safety inspectors have conducted 5 thousand audits and identified about 9 thousand breaches.

PARTICIPATION IN THE WORK ON THE AGREEMENT FOR OIL AND GAS SECTOR AND CONSTRUCTION SECTOR FOR THE OIL AND GAS FACILITIES IN THE RUSSIAN FEDERATION

In 2014, Rosneft continued to take an active part in the work of the Sectoral Commission for Regulation of Social and Labor Relations on development of the Sectoral Agreement for Petroleum and Oil and Gas Facilities Construction Organizations in the Russian Federation for 2014–2016. The Sectoral Agreement is concluded between the All-Russia Association of Employers in the Oil and Gas Industry and the Russian Oil, Gas and Construction Workers' Union and contains benefits and compensation for the sector employees above those provided by the current legislation. The majority of amendments proposed by the Company were accepted by the Sectoral Commission.

Given the importance of the Sectoral Agreement, the Company continues the dialog with the Commission on regulations of social and labor relations at the sectoral level.

CORPORATE PENSIONS AND SUPPORT FOR VETERANS

Starting from 2000, Rosneft put in place its corporate pension program to enhance social security of its employees when they retire.

In addition to a retirement pension from the state, each employee can get two non-state pensions upon retirement:

- corporate pension generated from employer's funds;
- personal pension, generated from the employee's funds through personal pension contracts.

In 2014, Rosneft and its subsidiaries paid to RUB 5.1 bn of pension contributions, including RUB 0.42 bn paid as part of the Social Support for Veterans Project.⁵⁴

The number of recipients of non-state pensions in 2014 reached 59.7 thousand persons, including around 30.9 thousand retirees and over 28.8 thousand veterans. The sum total of non-state pensions paid by Neftegarant non-state pension fund in 2014 amounted to RUB 1.51 bn. The average corporate pension per one retiree reached in 2014 RUB 4.8 thousand per month.

In 2014, a new Company Regulation Non-State Pension Provision for Veterans of

Rosneft and Subsidiaries was approved and put into effect within the framework of the Social Support for the Company's Veterans Project development. Rosneft has conducted an extensive work to include 3.3 thousand veterans from the new assets of the Company into the scope of the Project with the corporate pensions to be paid to them through Neftegarant non-state pension fund.

In 2014 the Company granted about RUB 290 mln to Head Office and subsidiaries veterans as occasional cash aid, payment for health resort treatment and other forms of welfare. As part of the 70th anniversary of the victory in the Great Patriotic War, Company President approved decision to provide additional financial support to war veterans in 2015.

To provide further training to employees, responsible for pension programs, regional workshops were delivered in 2014 in cooperation with Neftegarant non-state pension fund in Nizhnevartovsk, Syzran and Moscow. Over 170 employees, responsible for the pension programs at subsidiaries, participated in the activities.

In November 2014, the Important Questions of the Corporate Pension Program Implementation seminar, which is becoming an annual event, took place.

NON-STATE PENSION PROVISION

Indicator	2012	2013	2014
The Company's contributions to Neftegarant pension fund in accordance with the pension plan, RUB mln	3,358	3,934	5,093
Number of people receiving corporate pension, persons	54,492	57,654	59,702
Pension payments, RUB mln	1,123	1,321	1,513
Total value under the concluded personal pension contracts with Neftegarant non-state pension fund, RUB mln	1,709	2,178	3,133
Number of people having personal pension plans, persons	34,923	41,348	48,715
Number of Company employees, -fund depositors, persons	over 133 thousand	over 182 thousand	over 187 thousand

⁵⁴ A veteran is a former employee of Rosneft or Subsidiary who worked with the Company or Subsidiary for 10 or more years, was dismissed from the Company or Subsidiary subject to retirement grounds stated by the Russian legislation before the Company or Subsidiary concluded a corporate pension agreement with a non-state pension fund within the framework of the joint system of non-state pension provision to employees of the Company or Subsidiary.



SOCIETY

DEVELOPMENT OF THE SOCIAL IMPACT MANAGEMENT SYSTEM

Rosneft builds its relations with stakeholders and government authorities in the regions where it operates based on business social responsibility.

The Company follows a systemic approach to social decisions and social investment management mitigating social risks, supporting long-term fruitful relations with the regions of operation and reinforcing its image as a socially responsible company.

One of the goals of the Company regional policy is to create comfortable business conditions for the Company in the regions of operation which will facilitate hiring of highly qualified staff. To this end, the Company focuses on developing modern comfortable infrastructure in cities and towns, ensuring high quality of medical services, promoting sports, education, and culture. Social development is especially important for the areas distanced from major cities mainly with severe climate.

Rosneft not only allocates funds for social development but is also a largest nation-wide taxpayer. The total tax payments in 2014 amounted to RUB 3.1 tn, including RUB 231 bn paid to regional budgets.

One of the key events in 2014 was development and approval of the Company Policy for Regional Development and Relationships with Constituent Entities of the Russian Federation.

The Policy documents uniform principles and approaches to the Company government relations and stakeholder engagement in the regions of operation.



3.1

**BILLION RUBLES –
TOTAL TAX PAYMENTS
IN 2014, INCLUDING**

213

**BILLION RUBLES
OF TAXES PAID TO
REGIONAL BUDGETS**

ROSNEFT BUILDS ITS RELATIONS WITH STAKEHOLDERS AND GOVERNMENT AUTHORITIES IN THE REGIONS WHERE IT OPERATES BASED ON BUSINESS SOCIAL RESPONSIBILITY.

COMPANY SOCIAL PERFORMANCE IN 2014

COLLABORATION WITH THE REGIONS OF OPERATIONS

Engaging with the community in the regions where it operates, the Company focuses on implementing comprehensive programs aimed to solve social and economic challenges of the Russian regions.

The Company mainly allocates funds for these programs by entering into cooperation agreements with government authorities in priority regions of operation.

These agreements are long-term framework agreements. Related obligations are discharged by signing additional agreements which specify particular projects to be implemented in a particular region where the Company operates.

In 2014, the Company signed agreements with the administrations of the Samara, Orenburg, Kostroma Regions, Republic of Karelia, Republic of Dagestan, Republic of Khakassia, Zabaikal Territory, Khanty-Mansi Autonomous District – Yugra, Nenets Autonomous District as well as with the Moscow government. Additional cooperation agreements were signed during the year with the administrations of the Udmurt Republic, Republic of Ingushetia, Khabarovsk Territory, Sakhalin, Irkutsk, and Tyumen Regions and Khanty-Mansi Autonomous District – Yugra.

The expenditures for regional development in 2014 totaled RUB 1,667 mln****. Furthermore, during the first six months of 2015, the Company discharged its 2014 commitments involving social financing under an additional agreement with the Khanty-Mansi Autonomous District – Yugra government in the amount of RUB 1.8 bn. The funds were used to finance construction, repair, rebuild, and outfitting of infrastructure sites, improve inventories and equipment, hold events, and implement government-backed programs of the district, municipalities, and cities in the region.

In **Khanty-Mansi Autonomous District** the Company have completed the construction of recreation park facilities with an indoor swimming pool in Nefteyugansk in 2014. Furthermore, the Company overhauled a surgery ward 1 building, cultural and sports facilities, as well as provided landscaping throughout the city territory. Construction of a cultural and educational center was started in Poikovsky town in the Nefteyugansk District, additionally to the overhaul of a bridge across the stream along the Ust-Yugan Village Access motor road. Construction of an indoor hockey ground is in progress in Izluchinsk town in the Nizhnevartovsk District. The Company continues to support Yugra hockey club under the Cooperation Agreement.

Rosneft allocates funds to the municipal and urban district administrations of the **Samara Region** to develop social projects, complete construction of an indoor skating-rink in Otradnoye, build skating-rinks in Novokuibyshevskoye and Syzran, rebuild sections of the Samarskoye highway, Sadovaya, Osipenko, 50-year anniversary of Oil Refinery and Suvorova streets, as well as Gorechenkov square in Novokuibyshevsk.

There are many events held in the **Udmurt Republic** with the aim to support and develop sports, culture, and education, as well as to repair infrastructure and social facilities.

In the **Ryazan Region** a part of the Stenkin-2 road to the railway station was rebuilt under the Cooperation Agreement.

Funds were allocated in the **Republic of Ingushetia** to build five children playgrounds in Magas, Nazran, and Malgobek, construct an indoor ice palace in Magas and a youth cultural and leisure center in Nazran. Furthermore, the Company helped to organize events as part of celebration of the 100 year anniversary of the Caucasian Horse Division and supported Angusht football club.

The Company financed construction of a gas pipeline bend and mini GDS in the

Khabarovsk Territory to supply natural gas to village of Belgo, which had suffered from flood, and allocated funds for developing and promoting football in the region.

Renovation projects were funded in the **Krasnodar Territory (Tuapse District)** in 2014 covering heat supply, water supply and wastewater discharge systems, street lighting, public roads, pavements, backwalls and installation of fences along the roads. The key projects included the repair of the facade of Secondary School 34 in Dzhubga and construction of a judo room in the Tuapse sports school. The Company continues support of Dinamo, women's volleyball club in Krasnodar.

1667

MILLION RUBLES – EXPENDITURES FOR REGIONAL DEVELOPMENT IN 2014



Opening a Sports Center with an Aqua Park and an Olympic Swimming Pool in Nefteyugansk

Pearl of Yugra Physical Culture and Sports Center was officially opened in Nefteyugansk in the fall of 2014. It is now the largest and the newest sports center in the Khanty-Mansi Autonomous District – Yugra. Rosneft covered the major portion of construction expenses under the co-financing terms according to the Cooperation Agreement with the local government.

The total area of the sports center put in operation is almost 27,000 m². The center consists of an aqua park and two swimming pools, including an Olympic-size swimming pool (50 x 25 m) equipped with a jumping area and a springboard. Special equipment makes the swimming pool suitable for young swimmers and people with reduced mobility. Pearl of Yugra has a gym for sports games and tribunes for 300 people, a fitness center, health center, and two movie halls.

The Center has cutting-edge equipment which makes it an ideal venue for different local and regional events.



Swimming pools can be used for swimming classes, water polo, and springboard diving from a height of three to five meters. The new center provides extensive opportunities to develop

water sports across the region, build national team bench strength in the Khanty-Mansi Autonomous District – Yugra and hold cultural events for the local community.

EXPENDITURES UNDER REGIONAL SOCIO-ECONOMIC COOPERATION AGREEMENTS, RUB MLN⁵⁵

Indicator	2012	2013	2014
Expenditures under regional socio-economic cooperation agreements****	2,793.4	3,684.7	1,667.0

EXPENDITURES UNDER REGIONAL SOCIO-ECONOMIC COOPERATION AGREEMENTS IN 2014 BY CATEGORY

Indicator	RUB mln
Education and science	12.4
Sports	998.8
Culture	64
Infrastructure development	561.7
Other expenses	30.1 ⁵⁶

**** Expenditures under regional socio-economic cooperation agreements are calculated based on the uniform methodology applied to internal social programs and exclude expenses of Udmurtneft OJSC and 50% share of Tomskneft VNK OJSC expenses. Application of the methodology is owing to requirements for IFRS consolidation principles. Expenses incurred under regional cooperation agreements (RUB 1,737 mln) stated in Rosneft Annual Report 2014 include expenses related to these affiliated companies.

⁵⁵ Based on management reporting (centralized business planning boundaries).

⁵⁶ Including aid to pensioners, low-income families, youth associations, city events, social services and agricultural institutions.

Vankor field



ROSNEFT PARTICIPATES IN THE DEVELOPMENT OF THE RUSSIAN FAR EAST

The Russian Far East is one of strategic interest areas for Rosneft. The Company implements a series of major projects in the region that would significantly speed up both economic and social growth of the Far Eastern Federal District. The largest regional projects of the Company include development of offshore fields, formation of a ship-building cluster, as well as construction of the Eastern Petrochemical Integrated Plant and LNG Plant at Sakhalin.

FIELD DEVELOPMENT

The Company's investment is the key driver of the economic growth in the Russian Far East. The Company implements large-scale oil and gas projects on Russia's shelf in the severe environment of the northern and Far Eastern seas. Currently Rosneft has 21 licenses for offshore areas in the Okhotsk,

Chukotka, East Siberian, and Laptev Seas. The potential of these license areas exceeds 9 bn tonnes of oil and approximates 9 tn m3 of gas. Rosneft's new fields in the Eastern Siberia will provide additional annual production volumes of over 30 mmt of oil and 8 bscm of gas till 2020. Budget revenues over the project life cycle are estimated at almost RUB 14 tn.

Development of a Ship-Building Cluster

To implement the project of creating Zvezda shipbuilding facilities on the south of the Primorsky Territory, Rosneft applies a cluster approach aimed at developing related industries in the region covered by the project, boosting the number of small and medium enterprises (SMEs), and increasing the efficiency of HR training and incentive system to attract people in the region.

The use of such cluster policy would enable a significant multiplier effect, greatly improve productivity through the introduction of cutting-edge technologies, and creation of big amount of new high-tech jobs.

The 2015–2035 tax transfers to the budgets of all levels under the project are estimated to RUB 260 bn. Moreover,



in due to multiplier effects, the estimated tax transfers from other members of the shipbuilding cluster in the Far East will increase significantly.



Construction of the Eastern Petrochemical Integrated Plant

In 2014 Rosneft and the Russian Ministry for Development of the Far East signed a Cooperation Agreement to promote social and economic development of the Russian Far East. The document stipulates joint work as a private public partnership by implementing an investment project of Eastern Petrochemical Company CJSC (VNHK project) in the Primorsky Territory involving the construction of oil refining and petrochemical facilities with annual capacity of up to 30 mmt of hydrocarbons.

The Company expects that the VNHK project should facilitate setting off the shortage of high quality motor fuels in the region and contribute to the development of the internal petrochemical market and formation of a cutting-edge petrochemical cluster, provide synergy and multiplier effects related to product growth in related industries, including plastic products business, energy sector, and VNHK servicing facilitating.

Once implemented, the project should bring additional revenues to the Rus-

sian budget, create new jobs, upgrade and develop social, energy, transport, and logistics infrastructure, revive commercial and economic relationships and improve the overall investment appeal of the Primorsky Territory and the Russian Far East in general.

Construction of the Far Eastern LNG Plant

In 2014, Rosneft and ExxonMobil extended the period of the agreement on implementation of the Far Eastern LNG Plant project. The deliverables of the first engineering stage were a project feasibility study, defined parameters and approved potential LNG Plant

siting, gas liquefaction technology, as well as preparations for the second engineering stage. The initial design capacity would be approximate 5 mmt of liquefied natural gas per year with an increase potential in the future. Raw materials for the plant will be natural

gas supplied from Rosneft reserves in the Russian Far East and Sakhalin-1 reserves.

CONTRIBUTION TO DEVELOPMENT OF SMES

The Company focuses on involving SMEs in different projects in all regions where it operates. It has an action plan in place to expand access for SMEs to Rosneft purchasing processes under the roadmap of Expanding Access of Medium (Small) Enterprises to Purchasing Projects of Infrastructure Monopolies and Companies Partially Owned by the State approved by the Russian Government Resolution in 2013.

The deliverables include the following activities:

- Consultation Board was set up to be responsible for the public audit of procurement efficiency.
- Single point of contact system was set up to implement innovative products, research, experimental and technology development results at SMEs as well as to ensure technology sharing.
- Regulations describing the procedure and rules for implementation of innovative solutions in the Company's operations were developed.

CHARITY

Rosneft takes part in charity projects in line with the Federal Charity Law. The Company finances its charity projects based on the resolutions of its President, Management Board, and Board of Directors.

Standard agreements are signed to implement charity projects. One of the clauses of the agreement is beneficiary's reports on targeted use of funds. The Company takes a range of measures aimed to verify proper use of allocated funds implemented both by the Central Office and subsidiaries. The audits conducted in 2014 did not identify any cases of improper use of funds.

The financing of charity projects in 2014 amounted to RUB 2,573 mln****. The most significant charity projects in the reporting year included donation to the following persons, companies, and associations:

- Tikhvin Assumption Monastery;
- Federation of Jewish Communities of Russia for the support of the children's boarding school Our Home;
- Administration of the Partisan Municipal District in the Primorsky Territory;
- Center for Amur Tiger Preservation;
- Union of the Veterans of Angola;
- Russian Orthodox Ecclesiastical Mission;
- 18 industry specific universities of the Russian Federation;
- Optina Pustyn monastery;
- Council of War and Labor Veterans of Rosneft;
- Dinamo volleyball club;
- Strong Army charity fund; and
- relatives of the casualties of emergencies at the Company's subsidiaries' sites.



Preservation of the Amur Tiger Population

Amur tiger is one of the world's rarest fauna species. The main cause for diminishing tiger population is destruction of its natural habitat (forests and shrubbery), reduced number of its main prey (different hoofed mammals), as well as direct poaching of tigers. Rosneft charity projects include financing of activities taken

by the Center for Study and Preservation of the Amur Tiger Population to preserve and increase the unique populations of the Amur tiger. The project has been financed for three years starting 2013 with allocations totaling RUB 60 mln. A total of RUB 15 mln was invested into the project in 2014.

Support to Our Home Children's Boarding School

Rosneft has been supporting Our Home children's boarding school since 2013. Funds are allocated to support 50 orphans aged 4 to 17. Foster children of the boarding school are provided with an opportunity to receive high-quality education, meals, and medical services. They

are offered favorable conditions for their development and are provided with high-quality resources. A decision was made in 2014 to enter into a donation agreement worth RUB 81 mln for three years. Financing in 2014 amounted to RUB 22.5 mln.

2573

**MILLION RUBLES –
AMOUNT OF FINANCING
OF CHARITY PROJECTS
IN 2014**



ROSNEFT CHARITY EXPENDITURES, RUB MLN⁵⁷

Indicator	2012	2013	2014
Charity expenditures*****	3,422.0	1,429.9	2,572.8

ROSNEFT CHARITY EXPENDITURES BY CATEGORY IN 2014

Indicator	RUB mln
Healthcare	101.5
Education and science	658.7
Sports	91.2
Culture	193.5
Preschool facilities	121.1
Support to veterans, people with invalidity, and people in need	156.6
Foster homes	42.7
Charity, public organizations, and humanitarian aid	213.1
Revival of spiritual heritage	718.6
Support of the indigenous peoples of the North	52.3
Development of the regional, district, and municipal infrastructure	123.8
Environment	22.5
Others	76.8 ⁵⁸

***** Charity expenditures are calculated based on the common methodology applied to internal social programs and exclude expenses of Udmurtneft OJSC and 50% share of Tomskneft VNK OJSC expenses. Application of the methodology is owing to requirements for IFRS consolidation principles. Charity expenditures (RUB 2,638 mln) stated in Rosneft Annual Report 2014 include expenses related to these affiliated companies.

SUPPORT OF MINORITY INDIGENOUS PEOPLES OF THE NORTH

Support to the minority indigenous peoples of the North in the regions where the Company operates plays an important role in Rosneft extensive charity program. Support to public associations, indigenous communities, and local administrations is provided by RN-Sakhalinmorneftegaz LLC and RN-Shelf-Far East CJSC in the north of Sakhalin, by RN-Purneftegaz LLC in the Purovo District of Yamalo-Nenets Autonomous

District, Vankorneft CJSC in the Turukhan District of the Krasnoyarsk Territory, by Vostsibneftegaz OJSC in Evenkia, and by RN-Komsomolsk Refinery LLC in the north of the Amur District of Khabarovsk Territory.

One of the Company objectives is to contribute to the economic development of the minority indigenous peoples of the North. The Company allocates funds on purchasing of equipment for fishery, construction and housing, social and infrastructure facilities renovation.

An important aspect is to preserve unique ethnic cultures and traditional practices of northern peoples. The brightest example is the restoration of Kharampur village, a fading settlement. Since 2002 the Company jointly with the Purovo District administration has been implementing the project involving the restoration of a national settlement currently inhabited by about 800 people.

⁵⁷ Based on management reporting (centralized business planning boundaries).

⁵⁸ Including aid to pensioners, low-income families, youth associations, city events, social services and agricultural institutions.

Support of the Culture and Traditional Practices of Minority Indigenous Peoples

Rosneft subsidiaries, including East Siberian Oil and Gas Company OJSC and RN-Purteftegaz LLC, organized the annual national holiday on the Reindeer Herder's Day and RN-Severnaya Neft LLC became a co-organizer of the Buran-Dey, traditional snowmobile and reindeer team racing, in 2014.

Vostsibneftegaz OJSC traditionally presents valuable gifts to reindeer race winners and participants in Surinda village of the Evenki District, Krasnoyarsk Territory. This settlement is home to the largest reindeer farm – Surindinsky municipal enterprise. The zest of the Evenki holiday was speed and endurance contests on uchag, riding deer. That year children from grades 1 to 8 took part in the competition. Despite their young age, they demonstrated their excellent riding skills. East-Siberian Oil and Gas Company OJSC also published children's books on Evenkia nature and culture for first graders in the Evenki municipal district of the Krasnoyarsk Territory. The unique book includes comic strips about fawn Orhe and a table game dedicated to the adventures of the main character of the book from Evenkia to Taymyr. The publication of children's comic strips is the Company's long-term social project. The comic strips include both an educational part and description of



Evenki oilfield workers and real social projects implemented by the Company in Evenkia.

RN-Purteftegaz LLC held the Reindeer Herder's Day in Kharampur village located in Yamalo-Nentz Autonomous District where Rosneft has implemented a large-scale social project. The event started with the parade of participants competing in national sports. Spectators and fans were welcomed

by company teams and indigenous communities of the Purovo District. The river bank became the venue for ski racing and stick pulling competitions, wrestling, national triple jumping competition, and agility contests. The holiday also included sports and activity programs for children, shows of traditional clothes of the Nenets people, reindeer racing, and visits to guest chums.

EXPENDITURES ON SUPPORTING MINORITY INDIGENOUS PEOPLES OF THE NORTH IN 2014 BY CATEGORY

Indicator	RUB mln
Housing construction expenses	23.5
Expenses for construction and renovation of infrastructure	7
Inventories expenses	61.7
Expenses for preservation of the original culture and health-improving programs	10.2

EXPENDITURES ON SUPPORTING MINORITY INDIGENOUS PEOPLES OF THE NORTH, RUB MLN

Indicator	2012	2013	2014
Expenses on support of the minority indigenous peoples of the North	66.8	57.6	102.4 ⁵⁹

⁵⁹ Including compensations to reimburse loss to traditional subsoil users and for soil remediation during construction of the Company's facilities (RUB 49.8 mln).



SPORTS AND CULTURAL EVENTS

Participation in the Sochi-2014 Olympics and Paralympics

Rosneft became the general sponsor of the 22nd Olympic Games and 11th Winter Paralympics that took place in February 2014 in Sochi. The Company was awarded that status by winning in the Oil category of the competition held by the Organizing Committee of the Olympic Games in early 2009.

As part of preparing for the Olympic and Paralympic Games, a volunteer team of 30 Rosneft employees was set up. Volunteer training included preliminary educational trips to the Olympic sites, examination of the Olympic infrastructure facilities, and visits to different sights of interest. The volunteers scheduled meetings, arranged accommodation, and accompanied about 200 foreigners and over 1 thousand Rosneft subsidiaries' employees awarded with a tour to the Olympics, including the winners of competitions, science conferences, and other corporate events.

During the Olympiad, thousands of Olympic Park guests visited Rosneft pavilion. The Company guests included sportsmen and fans from Russia and all over the world. The area of the unique pavilion exceeded 1200 m². Nine information and game zones offered each visitor activities to every taste from watching a video film on the history of Russian sports record setting to virtual ski ride down the piste. Interactive screens were placed to show Rosneft geography of operations and photographs of unique production and refining plants.



While implementing its Olympic program launched in 2009, Rosneft carried out a large-scale renovation of the Adler oil depot and installed 7 newest multi-purpose filling stations in the region. Project investment exceeded RUB 2.7 bn. Olympic-design multi-purpose filling stations set new standards for customers in terms of performance, services, and conditions. Fuel dispensing units are equipped with express pay terminals for cash, bank card, and fuel card payments. When engineering and building its filling stations, Rosneft used a series of advanced developments to reduce energy consumption, including use of solar panels to save from 35 to 45 thousand kWh per year at each module.

As part of environmental support of the Games, RN-Bunker LLC removed and recycled oily wastewater from seven passenger cruise liners used as boat hotels in Sochi port. Oily wastewater from cruise liners was recycled in Tuapse at RN-Tuapsenefteprodukt LLC facilities in compliance with all environmental and offshore safety measures.

Rosneft also became the guarantor of successful air transportation during the Sochi Olympics by ensuring uninterrupted fuel supply to the planes in Adler airport in Sochi. The airport became the main hub for Olympics and Paralympics guests and participants receiving about 3 thousand flights during the Games. After the Company acquired the shares of BATO LLC, bulk fuel installation operator in Adler airport in June 2013, it prepared for the Winter Olympics and Paralympics by completing a large work scope involving repair and upgrade of process equipment, loading stations, utility and process areas. Air transportation during the Games met the current Russian and international standards and requirements for aircraft maintenance subject to stringent quality control of the Company's products.

Winter and summer Spartakiads

Rosneft makes a significant contribution to promoting sports and healthy lifestyle. Annual Spartakiads became real sports holidays both for participants (Company employees) and for the local community.

In March 2014, Rosneft wrapped up its 4th Winter Spartakiad and awarded winners. The final games took place at Novogorsk training center and in Planernaya Olympic educational and sports center in Khimki. About 400 participants in 23 teams from the Company subsidiaries were competing to grasp the prize. Sportsmen competed in four sports: hockey, speed skating, ski racing, and sledging relay races. The team from Achinsk Refinery VNK OJSC was the winner in team classifications.

The results of the 10th Jubilee Summer Spartakiad were summed up and winners were awarded in September 2014. The final games were held in Sochi at



Sputnik-Sport sports facilities. About 700 participants in 17 subsidiaries' teams and the head office team were competing for the prize during Spartakiad final. A total of 69 teams from the Company subsidiaries counting over 2,300 people took part in the regional Spartakiad round. The final included competitions in the following 11 sports disciplines: mini football, volleyball, basketball, ping-pong, rope pulling,

chess, kettlebell lifting, shot put, bowling, billiards, and track&field. Angara joint team became the winner in team classifications for the second successive year.

In order to institutionalize the sports events in the Company, the Spartakiads Regulations and Corporate Style During Spartakiads Guidelines were approved and enacted in 2014.



Rosneft Lights the Stars Festival

Rosneft Lights the Stars Festival is held for the fourth time. It has become a good tradition demonstrating the creative potential of Company employees and their family. The audience and the jury watched contestants perform in different nominations, including singing and dancing, vocal instrumental and circus genres, as well as Reflection (artistic skills).

The festival included three stages. Qualifications took part in Rosneft subsidiaries and regional contests were held in Krasnodar, Ryazan, Angarsk, St. Petersburg, Samara, Khanty-Mansiysk, and Moscow. A total of 1,400 employees from over eighty Company subsidiaries took part in the festival. Moscow's Gorbunov Culture Center hosted the final round of the festival with over 300 participants on May 14, 2014.



INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT 2014

To the Board of Directors and Stakeholders of Rosneft Oil Company

Identification and description of the subject matter

At the request of Rosneft Oil Company (hereinafter 'Rosneft') we have provided a limited level assurance on the qualitative and quantitative information disclosed in the Sustainability Report 2014 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 G4 of the Sustainability Reporting Guidelines (hereinafter 'the GRI G4 Guidelines') and the sustainability reporting principles of Rosneft as set out in section 'About the report' on page 13 of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

Management's responsibilities

The management of Rosneft is responsible for the preparation of the Report and for the information therein to represent fairly in all material respects sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2014 in compliance with the GRI Framework and the sustainability reporting principles of Rosneft that are de-

scribed in section 'About the report' on page 13 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, 2014;
- ▶ The Report is prepared 'in accordance' with the GRI G4 Guidelines using the Core option.

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 management and specialists responsible for its sustainability policies, activities, performance and relevant reporting,
- ▶ Analysis of key documents related to Rosneft 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 sustainability policies, activities, events, and performance in 2014,

- ▶ Analysis of material issues in field of sustainable development identified by the Company,
- ▶ 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, use of energy resources, environmental protection, health and safety, and charitable activities for key indicators for the year ended December 31, 2014, as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately at the central office level,
- ▶ Visits to the offices and operational sites of the two Rosneft subsidiaries – Ryazan Oil Refinery Company CJSC and oil and gas producing company RN-Krasnodarneftegaz LLC – in order to observe health, safety and environmental aspects of the operations and gather evidence supporting the assertions on Rosneft sustainability policies, activities, events, and performance made in the Report,
- ▶ 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 the Core option of reporting ‘in accordance’ with the GRI G4 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.

Conclusions

Based on our work described in this report, nothing has come to our attention that causes us to believe that the information in the Report does not represent fairly in all material respects the sustainability policies, activities, events and performance of Rosneft for the year ended December 31, 2014 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 is not prepared ‘in accordance’ with the GRI G4 Guidelines using the Core option.

*Ernst & Young Valuation
and Advisory Services, LLC*

**Moscow
30 September 2015**



ANNEX 1

ACHIEVEMENT OF THE OBJECTIVES FOR 2014 SET IN THE SUSTAINABILITY REPORT 2013; GOALS AND OBJECTIVES FOR 2015–2018

ACHIEVEMENT OF THE OBJECTIVES FOR 2014 SET IN THE SUSTAINABILITY REPORT 2013

Goal	Achievement
INNOVATION	
Implement the Innovative Development Program	<p>The implementation of the Innovative Development Program resulted in 65 filed applications for patents and industrial design certificates in 2014. Other significant results of the reporting year are as below:</p> <ul style="list-style-type: none"> • New technology of developing the Turon low permeability gas reservoirs was developed to improve the operational efficiency and further explore reservoirs. • KARA-Winter-2014 and KARA-Summer-2014 large-scale expeditions were carried out. • The system of meteorological observations was restored in the Kara Sea. • The Fischer–Tropsch high-performance synthesis catalyst was developed to convert natural gas/ APG into fuel and oil products components with high value added directly in the fields. • A gas treatment facility was designed and built using 3S-separation with a capacity of 160 mscm/ year.
Implement the new technology system and pilot testing	As a result of the 2011–2013 new technology system and pilot testing projects, 123 successfully tested high-performance technologies were put into practice in 2014 with the total budget of RUB 13.8 bn, incremental oil production of 2,039.7 thousand tonnes and economic effect of RUB 1804.3 mln in 2014.
ENVIRONMENTAL SAFETY	
Update the Company's Environmental Safety Policy taking into account the changed scale of operations	The draft Policy is in the process of approval.
Prevent incidents with environmental consequences during offshore projects	There were no incidents with environmental consequences associated with offshore projects in 2014.
Continue cooperation with international corporate partners and public authorities in the field of environmental protection	<p>In 2014, the Company signed:</p> <ul style="list-style-type: none"> • the agreement with EMERCOM on public safety and area security issues when developing hydrocarbon resources in the territorial sea of the Russian Federation and on Russia's continental shelf in the Arctic; • the agreement with the Russian Ministry of Transportation for cooperation in searching and rescuing people in distress as well as eliminating oil and oil products spills in Russia's territorial sea of the Arctic zone, Arctic continental shelf and Arctic special economic zone; • the agreement with the <i>Association of Polar Explorers</i> interregional public organization for cooperation in ensuring environmental safety in the Arctic. <p>Agreements mentioned above are signed within the framework of the <i>Declaration on the Environment and Biodiversity Conservation in the Exploration and Development of Oil and Gas Resources on the Russian Arctic Continental Shelf</i>, signed jointly with ExxonMobil, Eni and Statoil.</p>
Achieve an APG recovery rate of 79.6%	In 2014, the implementation of the <i>Investment Gas Program</i> resulted in the increase of the APG recovery rate by 11 p.p., reaching 80.8%.
Saving at least 431 thousand tce ⁶⁰ or 7.8 mln GJ of energy resources	In 2014, 526 thousand tce ⁶¹ or 8.5 mln GJ of energy resources were saved resulting from energy saving measures.

⁶⁰ Equal to 266.46 thousand tce calculated in compliance with GOST R 51750-2001.

⁶¹ Equal to 291.05 thousand tce calculated in compliance with GOST R 51750-2001.

OCCUPATIONAL HEALTH AND SAFETY

Reduce occupational injury rate	Due to incorporation of certain subsidiaries with a high injury rate into the Company and significant accidents occurred in 2014, the occupational injury rate reached 0.330 injuries per one mln hours worked.
Enhance industrial safety of subsidiaries' hazardous industrial facilities	To improve industrial safety of hazardous industrial facilities, 22 scheduled full-scale inspections of OHS, industrial and fire safety were carried out by the Operations Control Commission. Following the inspections results, elimination of identified violations is monitored.
Reduce the number of fires and fire hazards that may result in fires at the Company's facilities as compared to 2013	The number of fires at the Company's facilities was down 18% in 2014 vs 2013. The measures to prevent violations of operating and installation procedures for electrical equipment were developed and sent to subsidiaries. This enabled an almost 55% decrease in the number of fires due to systematic causes.
Compliance of the integrated HSE management system with the international standard OHSAS 18001	In 2014, the integrated HSE management system was audited for its compliance with the international standard OHSAS 18001, and the compliance was confirmed.
Enhance subsidiaries' preparedness to effective emergency and fire response at production facilities	In 2014 the OHS Department systematized the control over drills organization and conducting. The SCCM is also involved, providing methodological assistance to subsidiaries when organizing and conducting scheduled drills. An internal regulatory document was drafted to systematize the procedure for organizing and conducting drills as well as their qualitative and quantitative evaluation. In general, subsidiaries got more involved in organizing and conducting drills and the quality of drill deliverables improved in 2014. A total of 420 drills were conducted in 2014, with the target being 418 drills.
Reduce the number of accidents at the field pipelines by at least 5% annually	In 2014, the number of accidents at the pipelines decreased by 9% year-on-year.

PERSONNEL

Develop labor productivity quantitative indicators for the Company's key business segments, approve their assessment procedures and apply them in planning activities for 2015 and the years ahead	<p>The Company developed and approved high-level labor productivity indicators for standard oil and gas production, refining and oil products supply subsidiaries. These indicators were used in 2015 business planning.</p> <p>The Company is now in the process of approving high-level labor productivity indicators for other business segments.</p>
Develop a unified remuneration system within the Company's expanded boundaries (considering the specific features of key business segments)	<p>In late 2014, the Company developed and approved corporate standard on the current bonus payment in the segment companies and began its implementation starting January 2015.</p> <p>A collective bargaining agreement template was updated (in collaboration with the labor union).</p>
Develop a standard organizational structure of the oil and gas production, oil refining and oil products supply companies	<p>Preparatory work was accomplished on separate elements of the standard organizational structure in the oil and gas production subsidiaries, to be approved in 2015.</p> <p>The Company's Management Board approved a standard organizational structure of oil products supply subsidiaries, which is now regularly used during the consolidation of companies in this business segment.</p> <p>The Company also developed and approved unified organizational structures, standard functions and, in some cases, workforce standards for the three functional areas of business: <i>Personnel and Social Programs</i>, <i>Taxes and Metrology and IT</i>. These standard solutions will be implemented in the structures and functions of branches of the Company subsidiaries during 2015.</p>
Implement the mechanism for timely identification of recruitment needs (jointly with the business), including for hard-to-fill jobs	In the course of business planning for each reporting period and when discussing the implementation of the upcoming projects, the Company HR department jointly with the business segments assess recruitment needs, especially for hard-to-fill jobs with the aim to train/ retrain specialists in the specialized universities in advance or search for required specialists (if there is no time for training) at the labor market.



Create an efficient system of personnel rotation (<i>mobile personnel</i>)/ launch the program of personnel transfer/ rotation	An appropriate mechanism was created and a personnel rotation plan was drawn up and implemented. The Regulation <i>Rotation Program for the Company's 1st and 2nd Level Managers</i> was drafted, to be officially approved in 2015.
Develop an OHS system for Company employees when working at the Arctic shelf of the Kara Sea	In 2014, the Company developed and implemented the <i>OHS and Insurance Program for Rosneft Employees and Contractors When Working on the Arctic Shelf</i> .
Develop the Regulations on <i>Emergency First Aid Arrangement at Rosneft</i>	The Regulations on <i>Emergency First Aid Arrangement at Rosneft</i> are developed to standardize the requirements to medical personnel, equipment, healthcare and evacuation quality.
Draw up a plan on the creation of the Center of Industrial Medicine and High Technologies on the premises of Medical Station No. 36 in Angarsk and start its implementation, i.e. purchase medical equipment	The plan on the creation of Center of Industrial Medicine and High Technologies on the premises of Medical Station No. 36 in Angarsk was approved by the Vice President for HR and Social Affairs, Healthcare Ministry for the Irkutsk Region, and SOGAZ OJSC. Thereby, medical equipment was provided to the Endoscopy Department.
Implement the joint project with the <i>MSU Improvement and Management of Healthcare Quality and Efficiency For Those Who Work on the Arctic Shelf</i>	The Company developed the Concept and standardized the requirements to the system of medical support for the employees who work on Russia's Arctic shelf.
To provide recreation opportunities to employees and their family members under the recreation plan in the Russian health resorts	Health resort treatment was provided to 52 thousand employees and family members under the corporate plan and resolutions of Company management.
Develop Regulations on Voluntary Medical Insurance. Implement the procurement procedures for the bid <i>Insurance of Employees leaving the Place of Residence</i>	The analysis of the Voluntary Medical Insurance programs and Company employee satisfaction with the ongoing programs resulted in postponing the development of the Regulations on Voluntary Medical Insurance as a final document. However, the Company intends to work on creating consistent approaches to the Voluntary Medical Insurance of employees at the subsidiaries. Considering small insurance costs for employees who leave the place of residence, the procurement procedures were reclassified as a small purchase and rescheduled to 2015.

SOCIETY

Further develop engagement with the regions of operation, including under the agreements on social and economic cooperation

In 2014, the Company signed the agreements on social and economic cooperation with the Samara, Orenburg and Kostroma Regions, Government of Moscow, Zabaykalsky Territory, Republic of Khakassia, Nenets Autonomous Okrug, Republic of Karelia, Republic of Dagestan, and Khanty-Mansi Autonomous Okrug – Yugra.

Seven additional cooperation agreements were also signed with the Russian constituent entities, including the Sakhalin, Irkutsk and Tyumen Regions, Khabarovsk Territory, Udmurt Republic, Republic of Ingushetia, and Khanty-Mansi Autonomous Okrug – Yugra. The costs incurred under the agreements on social and economic cooperation with the regions totaled RUB 1.7 bn.

GOALS AND OBJECTIVES FOR 2015–2018

2015	2016–2018
INNOVATION	
Implement the Innovative Development Program	Ensure the maximum allowable hydrocarbon recovery rates in new fields, and develop systematic measures to increase oil and gas production in the producing fields
Implement the Plan of Targeted Innovative Projects, new technology system and pilot testing programs	Develop technologies for cost-effective use of non-conventional hydrocarbon reserves Implement new technologies for processing heavy still bottoms and petrochemicals
ENVIRONMENTAL SAFETY	
Develop a program on biodiversity conservation	Achieve the 2014–2018 targets set by the Long-term Development Program in 2014
Develop algorithms for environmental targets consideration	
Standardize environmental requirements to contractors' activities at the Company's facilities	
Achieve associated petroleum gas recovery rate of 84.3% for Russian assets	Achieve associated petroleum gas recovery rate of 95% for brown fields in 2018
Save at least 862 ⁶² thousand tce or 14.1 million GJ of energy resources	Save at least 3,276 ⁶³ thousand tce or 60.6 million GJ of energy resources
OCCUPATIONAL HEALTH AND SAFETY	
Decrease the occupational injury rate	
Conduct a recertification audit of OHS Management System for its compliance with the international OHSAS 18001 standard in the specified production area for the purpose of its accredited certification and the certification maintenance for a three-year certification period.	Implement the <i>Program of Safety Culture and Leadership Improvement</i> in the field of OHS at Rosneft. Improve hazard identification and risk assessment system in 2015–2016.
Organize an end-to-end control of the integrated OHS Management System at the Company's subsidiaries in 2015, and develop recommendations on OHS system improvement.	Unify the requirements for equipping the Company's facilities with modern fire safety systems in 2015–2016. Develop and implement the Targeted program on bringing the Company's facilities in compliance with the fire safety requirements up to 2020.
Implement the <i>Targeted Program of Modernization and Equipment of Fire Safety System</i> for oil and gas production facilities for 2015 and the Targeted Program of Modernization and Equipment of Fire Safety System for gas processing plants, oil refining and oil products supply assets for 2015.	Implement the <i>Targeted Program of Modernization and Equipment of Fire Safety System</i> in Rosneft subsidiaries until 2016.
Implement the schedule of reviewing the regulatory documents and create new regulations and standards.	
Reduce the accident rate of field pipelines by at least 5% annually under the Pipeline Reliability Improvement Program.	

⁶² Equal to 480.96 thousand tce calculated in accordance with GOST R 51750-2001.

⁶³ Equal to 2,068.78 thousand tce calculated in accordance with GOST R 51750-2001.



PERSONNEL

Develop labor productivity indicators for the B2B segment and minor oil refining segment within the Company boundaries and apply them in 2016–2020 business planning.

Implement the system of the workforce capacity regular assessment and create a talent pool

Start rollout of a single HR and payroll accounting template which was previously implemented at the pilot subsidiaries

Implement a competency-based approach to employee development. Develop and implement the uniform requirements for employee competences and qualifications by the Company business segment and job position.

Assess employees in terms of their compliance with the Company requirements and determine the priorities of employee competence development.

Improve the overall technical competencies by 2020, so that the assessed employee competencies level reached 85–90 points (out of 100).

Continue work on developing and implementing typical solutions for the functional areas of business (at least 3 areas per year)

Identify in advance the areas when there is a shortage of personnel/ talent pool and develop a targeted talent pool training program to fill the shortage as well as develop and launch training programs for the required areas.

Approve and implement the draft Regulations on *Rotation Program for the Company's 1st and 2nd Level Managers*

Develop and implement the employee retention program, especially for remote and unattractive regions.

Continue to implement the Company's TIP *Implementation of Competence Development System for Employees across All Business Segments of the Company*:

- implement the methods of assessing and developing employee competencies in the following segments: *Geology and Field Development, Design and Survey Work, Oil and Gas Production, Refining, and Offshore Projects*;
- develop the methodology for the following segments: *Drilling, Oil Products Supply, Logistics and Transport, Inventory Management, Procurement Organization, Economy and Finance, and HR Management*.

Create a uniform system of personnel competencies assessment and development based on the maximum automation and unification

Develop the organizational capacity of occupational medicine at the subsidiaries. Develop the methodology and conduct comprehensive audits of the system of medical support at the Company's production facilities

Develop and implement the comprehensive Program Health, including the tried and tested elements of the comprehensive OHS system: emergency first aid, health risk assessment, prevention programs, and personal health insurance and health improvement programs.

Develop the Regulations *Emergency First Aid* at Rosneft

Develop medical support standards for employees who work on the Arctic shelf as well as their quality criteria.

Develop and gradually implement the Healthy Lifestyle Promotion Program across the Company

Gradually implement a comprehensive action plan to promote healthy lifestyle across the Company, as well as assess its effectiveness

Unify the Voluntary Medical Insurance programs for the employees of the Moscow subsidiaries

Implement uniform approaches to the Voluntary Medical Insurance in the subsidiaries

Optimize HR business processes for business needs

SOCIETY

Further develop engagement with the regions of operation, including under the agreements on social and economic cooperation

ANNEX 2

ENVIRONMENTAL PERFORMANCE TARGETS THROUGH 2018 AND RESULTS OF 2014

COMPANY'S TARGETS IN THE AREA OF LAND PROTECTION AND REMEDIATION AS WELL AS WASTE TREATMENT

Indicator	Unit of measurement	2014 target	2014 actual	2015	2016	2017	2018
Number of accidents involving oil spills (per mmt of crude produced oil)	pcs. per mmt	40.0	39.5	36	32	29	26
DISPOSAL OF WASTE AND CONTAMINANTS ACCUMULATED FROM THIRD PARTIES' ACTIVITIES AT THE COMPANY'S FACILITIES							
Contaminated land as at the end of the period	thousand ha	3.1	2.7	2.5	2.0	1.4	1.0
– Exploration and Production	thousand ha	3.1	2.7	2.5	2.0	1.4	1.0
– Refining and Petrochemicals	ha	50	6.5	48	47	0	0
Oil sludge waste as at the end of the period	mmt	5.68	5.25	5.29	5.03	4.77	4.53
– Exploration and Production	mmt	5.52	5.08	5.19	4.96	4.77	4.53
– Refining and Petrochemicals	mmt	0.16	0.18	0.10	0.07	0.0	0.0
Drilling waste as at the end of the period	mmt	1.72	0.69	0.57	0.03	0.0	0.0
REDUCTION OF WASTE AND CONTAMINANTS RESULTING FROM THE COMPANY DAILY OPERATIONS							
Liabilities for contaminated land remediation as at the end of the period	years of generation	2.75	2.47	2.75	2.75	2.45	2.25
Liabilities for drilling waste treatment as at the end of the period	years of generation	0.65	0.57	0.45	0.4	0.4	0.4
Liabilities for oil sludge waste treatment as at the end of the period	years of generation	1.65	0.79	1.63	1.63	1.61	1.56
– Exploration and Production		0.70	0.77	0.5	0.5	0.5	0.5
– Refining and Petrochemicals		6.00	0.79	6	5.9	5.9	5.3
– Commerce and Logistics		1.35	3.45	1.15	1.1	1.1	1

AIR EMISSIONS TARGETS

Indicator	Unit of measurement	2014 target	2014 actual	2015	2016	2017	2018
Percentage of APG flared or vented (incl. deposits at an early development stage, APG with methane content below 50%, and APG flared during planned repair shutdown of gas processing facilities)	%	21	19.5	7.5	7.2	7.2	7.2
Percentage of emissions above established limits	%	14.5	26.2	3	0.5	0.4	0.4
– Exploration and Production		15.5	28.7	3	0.5	0.5	0.5
– Refining and Petrochemicals		1.5	3.5	1.4	0.1	0.1	0.1
– Commerce and Logistics		0.5	3.4	0.1	0.1	0.05	0.05



Gross emissions	tonnes per thousand tce	7.83	5.73	6.48	6.37	6.37	6.37
– Exploration and Production		5.9	4.18	4.6	4.5	4.5	4.5
– Refining and Petrochemicals		1.60	1.28	1.55	1.55	1.55	1.55
– Commerce and Logistics		0.33	0.26	0.33	0.32	0.32	0.32
Emissions of benzo(a)pyrene	tonnes*10 ⁻⁸ per thousand tce	7.38	5.58	7.93	8.33	9.13	9.38
– Exploration and Production		2.70	1.33	2.65	2.65	2.45	2.40
– Refining and Petrochemicals		4.20	3.80	4.8	5.2	6.2	6.2
– Commerce and Logistics		0.48	0.46	0.48	0.48	0.48	0.48
Emissions of sulfur oxides (SO _x)	tonnes per thousand tce	0.577	0.404	0.55	0.51	0.56	0.55
– Exploration and Production		0.075	0.055	0.07	0.04	0.035	0.03
– Refining and Petrochemicals		0.480	0.335	0.46	0.45	0.5	0.5
– Commerce and Logistics		0.022	0.014	0.022	0.022	0.021	0.021
Emissions of nitrogen oxides (NO _x)	tonnes per thousand tce	0.245	0.213	0.21	0.20	0.25	0.25
– Exploration and Production		0.11	0.10	0.08	0.075	0.071	0.071
– Refining and Petrochemicals		0.13	0.11	0.12	0.12	0.17	0.17
– Commerce and Logistics		0.005	0.003	0.005	0.005	0.005	0.005
Emissions of hydrocarbons (incl. VOCs)	tonnes per thousand tce	3.133	2.342	2.81	2.69	2.62	2.56
– Exploration and Production		2.10	1.44	1.8	1.7	1.65	1.61
– Refining and Petrochemicals		0.75	0.66	0.73	0.72	0.7	0.68
– Commerce and Logistics		0.283	0.237	0.279	0.274	0.269	0.269

WATER MANAGEMENT TARGETS

Indicator	Unit of measurement	2014 target	2014 actual	2015	2016	2017	2018
Produced water sent to evaporation fields	m ³ per thousand m ³	1.6	1.5	0.9	0.9	0.35	0.2
Percentage of recycled water in the total volume of water used for production needs in the Oil refining and Petrochemicals	%	93.0	92.7	93.0	93.0	93.5	93.5
Percentage of contaminated industrial wastewater in the total volume of wastewater discharged from own central sewerage system	%	28	16	15.0	13.5	13.0	12.5
– Exploration and Production		4.0	3.7	2.0	1.5	0.6	0.4
– Refining and Petrochemicals		49	36	34.0	32.0	32.0	31.0
– Commerce and Logistics		77.3	49.3	76.7	75.0	60.0	55.0

ANNEX 3

KEY SUSTAINABILITY PERFORMANCE INDICATORS FOR ACQUIRED ASSETS

ACQUIRED ASSETS OF WEATHERFORD GROUP IN RUSSIA AND ORENBURG DRILLING COMPANY LLC

Indicator	2012	2013
HR MANAGEMENT INDICATORS		
Headcount as at year-end, thousand persons	9.0	10.2
Average headcount, thousand persons	8.6	9.7
Employee turnover, %	23.1	20.8
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln	4600	5782
Social payments to employees, RUB mln	104.5	114.3
OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE INDICATORS⁶⁴		
Total number of hours worked, thousand hours	9001	10104
Total number of occupational injuries, persons	10	17
including fatalities, persons	2	0
Occupational injury rate (cases per one mln hours worked)	1.11	1.68
Occupational fatality rate (cases per 100 mln hours worked)	2.22	0.00

ACQUIRED ASSETS OF ITERA GROUP

Indicator	2012	2013
HR MANAGEMENT INDICATORS		
Headcount as at year-end, thousand persons	1.4	1.5
Average headcount, thousand persons	1.4	1.4
Employee turnover, %	14.0	15.2
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln	3152	1745
Social payments to employees, RUB mln	88.0	229.8
OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE INDICATORS		
Total number of hours worked, thousand hours	2194	3150
Total number of occupational injuries, persons	2	3
including fatalities, persons	0	0
Occupational injury rate (cases per one mln hours worked)	0.91	0.95
Occupational fatality rate (cases per 100 mln hours worked)	0.00	0.00

⁶⁴ The OHS data on important subsidiaries included in 2014 are in line with OHS historical data. Thereby, the data do not cover Belorusskoe UPNP i KRS OJSC (Company on Enhanced Oil Recovery and Well Workover), Upravlenie po KRS LLC (Well Workover), Chernogornefteservis LLC in 2012–2013.



ANNEX 4

CORRESPONDENCE BETWEEN THIS REPORT AND GRI SUSTAINABILITY REPORTING GUIDELINES (VERSION G4), VOLUNTARY SUSTAINABILITY REPORTING BY IPIECA/ API (2010), THE PRINCIPLES OF THE UN GLOBAL COMPACT, AND THE RSPP BASIC PERFORMANCE INDICATORS FOR NON-FINANCIAL REPORTING (2008)

Aspect ⁶⁵	Indicator number	Indicator description	Report subsection	Excluded information	Page(s) in the Report	External assurance
COMMON STANDARD ELEMENTS OF REPORTING						
STRATEGY AND ANALYSIS						
	G4-1	Statement from the Chairman of the Management Board on the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Message from the President and the Chairman of the Management Board		4–5	✓
	G4-2 IPIECA-HS4	Description of key impacts, risks, and opportunities	Message from the President and the Chairman of the Management Board; Key Sustainability Performance Indicators; Sustainability Management; Risk Management and Internal Control; Stakeholder Engagement; Environmental Safety; Occupational Health and Safety; Personnel; Society; Annex 1. Achievement of the Objectives for 2014 set in the Sustainability Report 2013; Goals and Objectives for 2015–2018		4–10, 33–43, 48–109, 112–116	✓
		<i>Additional information is available on Rosneft's corporate website http://www.rosneft.com/Development/factors/</i>				
ORGANIZATIONAL PROFILE						
	G4-3	Name of the organization	Contact information		142	✓
	G4-4	Primary brands, products, and/or services	The Company in 2014: General Information		16–17	✓
		<i>Primary products are oil and petroleum products</i>				

⁶⁵ Unless specified otherwise, the aspect boundaries cover Rosneft Group.

G4-5	Location of the organization's headquarters	Rosneft is based in Moscow		✓
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. <i>See Rosneft Annual Report 2014 (p. 16–17, as well as the Development of International Projects in High-potential Petroleum Regions, p. 94–95)</i>	The Company in 2014: General Information	16	✓
G4-7	Nature of ownership and legal form <i>See Rosneft Annual Report 2014 (Share Capital, p. 54–56)</i>	The Company in 2014: General Information	16	✓
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) <i>See Rosneft Annual Report 2014 (Improving Oil and Gas Sales Efficiency, p. 117–123, as well as Annex 1, Consolidated Financial Statements and Independent Auditor's Report, Note 26, Indicators by Segment, p. 318)</i>			✓
G4-9	Scale of the organization <i>See Rosneft Annual Report 2014 (2014 Operating and Financial Highlights section, p. 26-33; as well as Appendix 1 Consolidated Financial Statements and Independent Auditor's Report, Note 40 Main Subsidiaries, p. 201; Note 26 Segment Information, p. 318; and Balance Sheet as of December 31, 2014, p. 288)</i>	Key Sustainability Performance Indicators; Personnel	6, 78	✓
G4-10 RSPP-3.1.1	Number of employees <i>92.0% of Company employees are employed under permanent employment contracts; 99.6% of headcount are full-time employees⁶⁶. 66% of employees are men and 34% are women.</i>	Key Sustainability Performance Indicators; Personnel – Company HR Management Performance in 2014	9–10, 80	✓
G4-11 UN GC Principle 3 RSPP-3.1.4	Percentage of total employees covered by collective bargaining agreements	Personnel – Company HR Management Performance in 2014 – Collective Bargaining Agreements	98	✓
G4-12	Organization's supply chain <i>See Rosneft Annual Report 2014 (Business Model, p. 18–19)</i>			✓
G4-13	Significant changes during the reporting period regarding organization's size, structure, or ownership or the supply chain	Message from the President and the Chairman of the Management Board; The Company in 2014: General Information; Corporate Governance System	4–5, 16–17, 28–30	✓

⁶⁶ The percentage of employees under permanent employment contracts, including Tomskneft VNK OJSC, amounted to 92.1% in 2014. The share of full-time employees remained the same and constitute 99.6%.



G4-14 IPIECA-EN5, HS4	Explanation of whether and how the precautionary approach or principle is addressed by the organization. <i>The Company finds it important to conduct necessary research to assess environmental impacts which results are used to develop activities aimed to mitigate adverse environmental impacts from intended operations</i>			✓
G4-15 RSP-3.3.4	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses <i>In 2009 the Company joined the UN Global Compact and the Social Charter of Russian Business. Since 2013 it has supported the Anti-Corruption Charter of Russian Business.</i>			✓
G4-16 RSP-3.3.5	Memberships of associations (such as industry associations) and national or international advocacy organizations <i>The Company is a member of the following associations:</i> – UN Global Compact – The Social Charter of Russian Business – Russian National Committee of the World Petroleum Congresses – Union of Oil & Gas Producers of Russia – Board of Trustees of Gubkin Russian State University of Oil and Gas – Chamber of Commerce and Industry of the Russian Federation – Canada-Russia Business Council – Russian National Committee for the United Nations Environment Programme(UNEP/COM)			✓
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents. Statement whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report <i>See Rosneft Annual Report 2014 (Appendix 1 Consolidated Financial Statements and Independent Auditor's Report, Note 40 Key Subsidiaries, p. 197)</i>	About this Report – Report Boundaries	13	✓
G4-18	Process for defining the report content and the Aspect Boundaries. Reporting Principles for Defining Report Content	About this Report	11–13	✓
G4-19	List of all the material Aspects identified in the process for defining report content	About this Report; This Annex	11–13, 120–139	✓
G4-20	Boundaries of each significant Aspect within the organization	About this Report; This Annex	11–13, 120–139	✓
G4-21	Boundaries of each significant Aspect outside the organization	About this Report; This Annex	11–13, 120–139	✓

G4-22	Restatements of information provided in previous reports, and the reasons for such restatements.	About this Report; Key Sustainability Performance Indicators; Occupational Health and Safety – Company's Occupational Health and Safety Performance in 2014; Environmental Safety – Company's Environmental Performance in 2014 Society – Company's Social Performance in 2014	11–13, 6, 51, 53, 66–67, 70, 73–75, 101–107	✓
<p><i>The main reasons for restatements of information in this Report include development and enhancement of the corporate reporting system, and revision of indicator boundaries and historical information, as well as revision of the data on total equity, assets as at the end of the year, long-term and short-term liabilities due to finalized distribution of the purchasing price of a number of assets and liabilities</i></p>				
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	About this Report	13	✓
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization	About this Report	11	✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement	40–43	✓
<p><i>The Company engages with all stakeholder groups that may have an impact on its operations and those its operations may impact</i></p>				
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	About this Report; Stakeholder Engagement	11–13, 40–43	✓
G4-27	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	About this Report; Stakeholder Engagement	11–13, 40–43	✓
REPORT PROFILE				
G4-28	Reporting period	About this Report	11	✓
G4-29	Date of most recent previous sustainability report	About this Report	11	✓
G4-30	Reporting cycle	About this Report	11	✓



G4-31	Contact point for questions regarding the report or its contents	About this Report; Contact information	11, 142	✓
G4-32	'In accordance' option the organization has chosen GRI Content Index for the chosen option. Reference to the External Assurance Report	About this Report; Independent Assurance Report on the Sustainability Report 2014; This Annex	11, 110–111, 120–139	✓
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	About this Report; Independent Assurance Report on the Sustainability Report 2014; This Annex	11–13, 110–111, 120–139	✓
CORPORATE GOVERNANCE				
G4-34 IPIECA-HS4	Governance structure of the organization, including committees of the highest governance body. Identification of any committees responsible for decision-making on economic, environmental and social impacts <i>See Rosneft Annual Report 2014 (Corporate Governance System section, p. 36–39, Board of Directors Membership section, p. 40–47)</i>	Corporate Governance System	28–32	✓
G4-36	Statement whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Corporate Governance System	28–32	✓
ETHICS AND INTEGRITY				
G4-56 UN GC Principle 10	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics <i>Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Investors/corpgov/Company's Sustainability Policy: http://www.rosneft.ru/attach/0/02/68/development_policy.pdf Code of Business Ethics: http://www.rosneft.ru/attach/0/02/76/Kodeks_rus.pdf Code of Corporate Conduct: http://www.rosneft.ru/attach/0/57/72/corporate_code.pdf</i>	Sustainability Management	33–35	✓
G4-57 UN GC Principle 10	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Sustainability Management – Development of the Compliance System	34–35	✓

	G4-58 UN GC Principle 10	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Sustainability Management – Development of the Compliance System	34–35	✓
SPECIFIC STANDARD ELEMENTS OF REPORTING CATEGORY: ECONOMIC					
	G4-CPM RSP-1.1	Disclosure on Management Approach <i>See Rosneft Annual Report 2014 (2014 Operating and Financial Highlights section, p. 26–33)</i>			✓
	G4-EC1 IPIECA-SE4, SE13 RSP-1.2, 1.3, 1.4, 1.5, 1.6, 1.7	Direct economic value generated and distributed (EVG&D), including revenues, operating costs, employee wages and benefits, donations, and other community investments, retained profit, and payments to providers of capital and government	Key Sustainability Performance Indicators	6–10	✓
	G4-EC3 RSP-1.8	Coverage of the organization's defined benefit plan obligations <i>Based on the results of actuarial estimation of Neftegarant non-government pension foundation for 2014, the current financial position of the foundation is deemed sustainable and fulfillment of the commitments by the foundation does not raise doubts (see http://www.neftegarant.ru/pokazateli/act.php)</i>	Personnel – Company's HR Management Performance in 2014 – Corporate Pensions and Veteran Support	99	✓
Economic Performance	G4-EC4	Financial assistance received from government <i>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 2014, the total amount of tax benefits used by the Company was RUB 140.7 bn</i>			✓
	G4-DMA	Disclosure on Management Approach	Message from the President and the Chairman of the Management Board; Society	4–5, 100–109	✓
	G4-EC7 IPIECA-SE7	Development and impact of infrastructure investments and services supported	Key Sustainability Performance Indicators; Society – Company's Social Performance in 2014	6–10, 100–109	✓
Indirect Economic Impacts	G4-EC8 IPIECA-SE6	Significant indirect economic impacts, including the extent of impacts	Message from the President and the Chairman of the Management Board; Society	4–5, 100–109	✓



Procurement Practices and Operations Localization	G4-DMA	Disclosure on management approach	The Company in 2014: General Information – Import Substitution and Localization; Society – Social Performance in 2014 – Contribution to Development of SMEs	27, 104	✓
	G4-EC9 IPECA-SE5	Proportion of spending on local suppliers at significant locations of operation	The Company in 2014: General Information – Import Substitution and Localization	27	✓
<i>Suppliers in Rosneft are selected on a tender basis. When substantiating supplier selection, priority is given to national products other conditions being equal</i>					
<i>Imports amounted to 26% of total purchases in 2014⁶⁷. Imports growth versus 2013 (13%) was due to changes in the calculation method and an increase in FX rates</i>					
Proven Reserves	G4 OG-DMA	Disclosure on management approach			✓
	GRI G4 OG1	Volume and type of proven reserves and production	Key Sustainability Performance Indicators	6	✓
CATEGORY: ENVIRONMENTAL [UN GC PRINCIPLES 8, 9]					
Energy Consumption	G4-DMA	Disclosure on management approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Energy Efficiency and Conservation; Environmental Safety – Energy Consumption and Energy Efficiency	18, 76–77	✓
	G4-EN3 UN GC Principles 7, 8 IPECA-E2 RSPP-2.2	Energy consumption within the organization	Environmental Safety – Energy Consumption and Energy Efficiency	76–77	✓
	G4-EN6 UN GC Principles 8, 9 IPECA-E2	Reduction of energy consumption	Environmental Safety – Energy Consumption and Energy Efficiency	76–77	✓
<i>The Company's subsidiaries use different types of fuel and mainly natural and associated petroleum gas as well as fuel oil — (87% and 10% of the total fuel consumption respectively)</i>					
<i>The implementation of the Energy Saving Program resulted in the saving of 8.5 million GJ of fuel and energy resources (heat, electricity, and fuel) in 2014.</i>					

⁶⁷Calculation is made generally for the Company based on the total value of purchased materials and services at the foreign exchange rate at the end of the reporting period. Purchases from foreign suppliers, Russian importers, and currency purchases from residents are taken into account when estimating the percentage of imports.

Energy Consumption	GRI G4 OG3 IPECA-E3	Total amount of renewable energy generated by source		Partially disclosed. Information is unavailable due to insignificant volumes of energy generation from renewable sources. The Company intends to start accounting for this type of energy when expanding the volume of its application in the Company		✓
	Currently the share of renewable energy generation is insignificant of the total energy generation					
Water Use Efficiency	G4-DMA	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge		18, 69	✓
	G4-EN8 UN GC Principles 7, 8 IPECA-E6 RSPP-2.3	Total water withdrawal by source	Key Sustainability Performance Indicators; Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge		7, 69–71	✓
	As required by the data acquisition method, the Company publishes the details of the total water withdrawal, including storm water, wastewater collection, and tank water					
	G4-EN9 UN GC Principle 8 IPECA-E6	Water sources significantly affected by withdrawal of water				✓
The Company has not identified any significant impacts from water withdrawal on water sources. Water withdrawal from surface and underground sources does not exceed the permitted level						
G4-EN10 UN GC Principle 8 IPECA-E6 RSPP-2.4	Percentage and total volume of water recycled and reused	Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge		69–71	✓	
The share of recycled and reused water in 2014 was approximately 43.4% (1159 million m ³), which roughly corresponds to the 2013 level						



Ecosystem Conservation and Biodiversity	G4-DMA	Disclosure on Management Approach	The Company in 2014: General information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Development of the Environmental Management System – Operations in Specially Protected and Environmentally Vulnerable Areas		18, 64–65	✓
	G4-EN11 UN GC Principle 8 IPECA-E5	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental Safety – Development of the Environmental Management System – Operations in Specially Protected and Environmentally Vulnerable Areas		64–65	✓
		<p><i>The Company carries out exploration work in a number of reserves in the Yamalo-Nenets Autonomous District, Krasnoyarsk Territory, Arkhangelsk Region, and Republic of Sakha, on the shelf of the Okhotsk, Kara, and Barents Seas; oil production, treatment, and transportation in the nature reserves and wetlands in the Krasnodar Territory, Verkhnee Dvuobye Wetlands, and Yugansky State Nature Reserve in the Khanty-Mansi Autonomous District, at the sites of various protected areas in the Samara Region, also in the Zhigulev State Natural Reserve and near More-Yu Nature reserve and Pym-Va-Shor Natural Monument in the Nenets Autonomous District. Moreover, the Company has operations related to oil and gas production, processing, and transportation, in the areas traditionally used by indigenous minorities of the North, as well as retail sale of petroleum products near or in specially protected areas, including Utrish State Nature Reserve, Elk Island and Samara Luka National Parks, Tunkinsky and Pribaikalsky National Parks, Baikal Nature Reserve, Teberdinsky State Nature Reserve, Kumis Glade Nature Park, and Vysokovsky Pine Wood Natural Monument.</i></p> <p><i>The Company operates in these areas with the unconditional compliance with the law and stringent environmental safety requirements</i></p>				
	G4-EN12 UN GC Principle 8 IPECA-E5, HS4	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environmental Safety – Development of the Environmental Management System – Operations in Specially Protected and Environmentally Vulnerable Areas	Partially disclosed. Due to the scale of the Company's operations, it is impossible to identify all affected species and size of affected areas	64–65	✓
	<p><i>Rosneft mainly impacts biodiversity during exploration, production, treatment, transportation, and retail sale of petroleum products. In most cases they prevail throughout the lease period or period of operation of industrial facilities. The Company's operations do not have an irreversible impact on biodiversity. The most frequent exposures are area pollution, transformation, construction, and use of industrial capacities</i></p>					
G4-EN13 UN GC Principle 8 IPECA-E5	Habitats protected or restored	Environmental Safety – Company's Environmental Performance in 2014 – Waste Management and Contaminated Land Remediation	Partially disclosed. Due to the scale of the Company's operations, it is impossible to specify location and status of all protected and restored habitats	72–74	✓	
	<p><i>The final stage of land remediation is assessment of performance by an independent contractor. The remediation of land transferred to local governments is confirmed by acceptance certificates</i></p>					

Ecosystem Conservation and Biodiversity	G4-EN14 UN GC Principle 8	Total number of IUCN Red List species and National Conservation List species with habitats in areas affected by operations, by level of extinction risk <i>The areas affected by the Company's operations are home to 139 IUCN Red List and National Conservation List species:</i> – Critically endangered (IUNC): two species; – Endangered (IUNC): two species; – Vulnerable (IUNC): nine species; – Near threatened (IUNC): 29 species; – Least concern (IUNC): 14 species; – Threat of extinction (Russia): nine species; – Rare species (Russia): 37 species; – Decreasing numbers (Russia): 20 species; – Data deficient (IUNC and Russia): 17 species. <i>The species with the habitats in the areas affected by the Company's operations: gray whale, sperm-whale, reindeer, gray heron, golden eagle, otter, fresh-water turtle, sturgeon etc. The Company analyzes and strives to minimize its impact on the said species</i>			✓
	GRI G4 OG4 IPECA-E5, HS4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored <i>The percentage of the significant operating sites in which biodiversity risk was assessed amounted to 26.34% (59 facilities) in 2014 which was slightly below the 2013 indicator</i>	Environmental Safety – Development of the Environmental Management System – Operations in Specially Protected and Environmentally Vulnerable Areas	64–65	✓
Air Emissions	G4-DMA	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Company's Environmental Performance in 2014 – Air Emissions	18, 66–69	✓
	G4-EN15 UN GC Principles 7, 8 IPECA-E1 RSP-2.5	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental Safety – Company's Environmental Performance in 2014 – Greenhouse Gas Emissions	67	✓
	G4-EN16 UN GC Principles 7, 8 IPECA-E1 RSP-2.5	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Safety – Company's Environmental Performance in 2014 – Greenhouse Gas Emissions	67	✓
	G4-EN17 UN GC Principles 7, 8 IPECA-E1	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental Safety – Company's Environmental Performance in 2014 – Greenhouse Gas Emissions	67	✓
	G4-EN18 UN GC Principle 8 IPECA-E1	Greenhouse gas (GHG) emissions intensity	Environmental Safety – Company's Environmental Performance in 2014 – Greenhouse Gas Emissions	67	✓



Air Emissions	G4-EN20 UN GC Principles 7, 8 IPIECA-E7	Emissions of ozone-depleting substances			✓	
	<i>The Company does not use ozone-depleting substances at an industrial scale</i>					
	G4-EN21 UN GC Principles 7, 8 IPIECA-E7 RSPP-2.6	NO _x , SO _x , and other significant air emissions	Key Sustainability Performance Indicators; Environmental Safety – Company's Environmental Performance in 2014 – Air Emissions		7–8, 66–67	✓
Wastewater Discharges and Waste Management	G4-DMA	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge		18, 69	✓
	G4-EN22 UN GC Principle 8 IPIECA-E9 RSPP-2.7	Total water discharge by quality and destination	Key Sustainability Performance Indicators; Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge	Partially disclosed. Due to the scale of the Company's operations, it is impossible to provide information broken down by destination	7, 69–71	✓
	<i>As required by the data acquisition methodology, the Company publishes the details of the total water (own and received from third parties) discharged to soak away via the Company's and third parties' centralized water disposal systems. It also publishes utility water discharge details</i>					
	G4-EN23 UN GC Principle 8 IPIECA-E10 RSPP-2.8	Total weight of waste by type and disposal method	Environmental Safety – Company's Environmental Performance in 2014 – Waste Management and Contaminated Land Remediation		72–74	✓
G4-EN24 UN GC Principle 8 IPIECA-E8 RSPP-2.9	Total number and volume of significant spills	Key Sustainability Performance Indicators; Environmental Safety – Company's Environmental Performance in 2014 – Waste Management and Contaminated Land Remediation; Occupational Health and Safety – Company's Occupational Health and Safety Performance in 2014 – Pipeline Reliability		7, 72–74, 56–57	✓	

Wastewater Discharges and Waste Management	G4-EN25 UN GC Principle 8 IPEICA-E10	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally <i>The main type of waste generated from the Company's operations is oil sludge and drilling cuttings. Rosneft does not transport, import, export, or treat waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII</i>			✓
	G4-EN26 UN GC Principle 8 IPEICA-E5	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff <i>In 2014 no significant impact on water bodies from the Company's discharges was recorded</i>			✓
	GRI G4 OG5 IPEICA-E10	Volume and disposal of formation or produced water	Environmental Safety – Company's Environmental Performance in 2014 – Water Consumption and Wastewater Discharge	69–70	✓
	GRI G4 OG6 IPEICA-E4	Volume of flared and vented hydrocarbon <i>Associated petroleum gas was flared in 2014 only by Russian production companies</i>	Environmental Safety – Company's Environmental Performance in 2014 — Associated Petroleum Gas Recovery and Use	68–69	✓
	GRI G4 OG7 IPEICA-E10	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal <i>Drilling cuttings from the use of water-base and water-free mud in 2014 amounted to 1,350 thousand tonnes and 6,787 thousand tonnes, respectively</i>	Environmental Safety – Company's Environmental Performance in 2014 – Waste Management and Contaminated Land Remediation	72–74	✓
Compliance with Environmental Regulations	G4-DMA RSPP-3.4.1, 3.4.2	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Development of the Environmental Management System	18, 58–63	✓
	G4-EN29 UN GC Principle 8 RSPP-2.10	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations <i>Administrative fines were imposed on a number of Company's subsidiaries for violation of the environmental requirements. Individual fines are minor. No non-financial sanctions were recorded in 2014</i>	Key Sustainability Performance Indicators; Environmental Safety – Development of the Environmental Management System	7, 60	✓



Environmental Expenditures	G4-DMA	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Environmental Safety – Development of the Environmental Management System		18, 58–63	✓
	G4-EN31 UN GC Principles 7, 8, 9 IPEICA-E5 RSPP-2.12	Total environmental protection expenditures and investments by type	Key Sustainability Performance Indicators; Environmental Safety – Development of the Environmental Management System		7–8, 58–60	✓
CATEGORY: SOCIAL						
	RSPP-3.1.9	Occupational health and safety expenditures	Key Sustainability Performance Indicators; Environmental Safety – Development of the Environmental Management System		7, 48–50	✓
SUBCATEGORY: EMPLOYMENT RELATIONS AND DECENT WORK						
Employment	G4-DMA	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Personnel; Personnel – Development of the HR Management System		19, 78–79	✓
	G4-LA1 UN GC Principle 6 RSPP-3.1.2, 3.1.3	Total number and rates of new employee hires and employee turnover by age group, gender and region	Key Sustainability Performance Indicators; Personnel – Development of the HR Management System; Annex 3. Key Sustainability Performance Indicators for Acquired Assets	Partially disclosed. Information on new hires and personnel turnover by gender and age is not currently available. The Company plans to collect this information once it has implemented a common automated HR system in all subsidiaries as part of centralized business planning scheduled for 2020 at the earliest	9–10, 78–79, 119	✓
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation <i>99.6%⁶⁸ of Company employees work full-time</i>	Personnel – Company's HR Management Performance in 2014 – Collective Bargaining Agreement		98	✓

⁶⁸ Taking into account Tomsneft VNK OJSC, the percentage of full-time employees remains flat at 99.6% in 2014.

Health and Safety in the Workplace ⁶⁹	G4-DMA IPECA-HS1, HS2, HS3	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Occupational Health and Safety – Development of the Occupational Health and Safety Management System		18, 48–49	✓
	G4-LA6 IPECA-HS3 RSPP-3.1.5, 3.1.6, 3.1.7, 3.1.8	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Key Sustainability Performance Indicators; Occupational Health and Safety – Company's Occupational Health and Safety Performance in 2014 – Occupational Health; Annex 3. Key Sustainability Performance Indicators for Acquired Assets	Partially disclosed. Currently, no information required to estimate the absence rate is available as the Company does not record it. Collection of this data is planned to be started no later than in 2016	7, 51, 119	✓
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation				✓
		<i>The Company analyzed injury rates and occupational diseases and identified a number of jobs exposed to the risk of injuries to the greatest extent, including drilling operators, process unit / filling station/ oil and gas production site operators, and the jobs with high exposure to the risk of occupational diseases, including machine, bulldozer operators, and utility vehicle drivers. Rosneft makes every effort to minimize exposures at these jobs</i>				
	G4-LA8 IPECA-HS1, HS2, HS3, SE16	Health and safety topics covered in formal agreements with trade unions	Occupational Health and Safety – Development of the Occupational Health and Safety Management System; Personnel – Company's HR Management Performance in 2014 – Partnership with Labor Unions		48–49, 98	✓
	IPECA-HS2, HS3	Programs and processes used to identify and solve significant personnel health related issues	Personnel – Company's HR Management Performance in 2014 – Personnel Healthcare		94–96	✓
Occupational Health and Safety	G4-DMA IPECA-HS1	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Environmental performance and Occupational Health and Safety; Occupational Health and Safety – Development of the Occupational Health and Safety Management System		18, 48–49	✓

⁶⁹ The Aspect Boundaries cover Rosneft Group and contractors working at the Group's industrial sites.



Employee Training and Education	G4-DMA RSPP-3.1.11,	Disclosure on Management Approach	The Company in 2014: General Information – Rosneft 2030 Development Strategy – Personnel; Personnel – Development of the HR Management System		19, 78–79	✓
	G4-LA9 UN GC Principle 6 IPECA-SE16 RSPP-3.1.10	Average hours of training per year per employee by gender, and by employee category	Occupational Health and Safety – Development of the Occupational Health and Safety Management System; Personnel – Company's HR Management Performance in 2014 – Personnel Training and Development System	The Report specifies the number of trained employees. Currently the Company does not collect any data on training hours (days). Collection of this data is planned to be started no later than in 2016	48, 84–86	✓
	G4-LA11 UN GC Principle 6 IPECA-SE16	Percentage of employees receiving regular performance and career development reviews	Personnel — Company's HR Management Performance in 2014 — Personnel Training and Development System	Partially disclosed. The report contains general details on the number of assessed employees. Currently the Company does not collect any assessment details by category or gender. Collection of this data is planned to be started in 2015	84–86	✓
<p><i>While the integrated personnel assessment system was in place, the professional competency level of over 1,500 specialists and managers was assessed. Currently the Company develops a Personnel Assessment Standard which, once approved will mean a mid-term increase in the numbers of assessed personnel</i></p>						
Labor Practices Grievance Mechanisms	G4-DMA	Disclosure on Management Approach	Sustainability Management – Development of the Compliance System – Code of Business Ethics		35	✓
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Sustainability Management – Development of the Compliance System – Code of Business Ethics		35	✓
<p><i>All complaints received in 2014 were reviewed and analyzed. Three out of all reviewed complaints were not confirmed. Relevant actions were taken in relation to the remaining 65 complaints</i></p>						

SUBCATEGORY: HUMAN RIGHTS⁷⁰

Freedom of Association and Collective Bargaining	G4-DMA IPECA-SE8, SE9 IPECA-SE15	Disclosure on Management Approach	Personnel – Company's HR Management Performance in 2014 – Collective Bargaining Agreement, Partnership with Labor Unions	98	✓
	G4-HR4 UN GC Principle 3	Operations and units identifies in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and, measures taken to support these rights <i>The Company bases its operations on compliance with legislative requirements for freedom of association and collective bargaining. The Company does not know of any units or suppliers which can violate these rights</i>			✓
	IPECA-SE18 RSPP-3.2.1	Labor disputes <i>The Company bases its operations on labor law requirements. The Company strives to solve all labor disputes by negotiation</i>			✓
Indigenous Rights	G4-DMA IPECA-SE15	Disclosure on Management Approach	Society – Company's Social Performance in 2014 – Support to Minority Indigenous Peoples of the North	106–107	✓
	G4-HR8 UN GC Principle 1 RSPP-3.2.3	Total number of incidents of violations involving rights of indigenous peoples and actions taken <i>The Company bases its operations on legislation requirements to prevent any forms of violation of human rights. The Company did not record any violation of the rights of indigenous peoples in 2014</i>			✓
	GRI G4 OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place <i>In some regions, the Company has oil and gas production activities in the areas inhabited by indigenous peoples. In all of these regions it takes engagement actions and implements assistance programs</i>	Society – Company's Social Performance in 2014 – Support to Minority Indigenous Peoples of the North	106–107	✓
Human Rights Grievance Mechanisms	G4-DMA RSPP-3.1.12	Disclosure on Management Approach	Sustainability Management – Development of the Compliance System – Code of Business Ethics	35	✓
	G4-HR12 UN GC Principle 1 RSPP-3.2.2	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms <i>No grievances about human rights impacts were filed through formal grievance mechanisms in the Company in 2014</i>			✓

⁷⁰ UN GC Principle 2, 4, 5, RSPP – 3.2.2: The Company does not practice any activities entailing the risk of using child or forced labor. The Company did not register any incidents related to violation of human rights and/or discrimination of employees in 2014.



SUBCATEGORY: SOCIETY						
	G4-DMA RSP-3.3.1, 3.3.3	Disclosure on Management Approach	Society – Development of the Social Impact Management System; Company's Social Performance in 2014 – Collaboration with the Regions of Operations; Support to Minority Indigenous Peoples of the North; Stakeholder Engagement		100–104, 106–107, 40–43	✓
	G4-SO1 UN GC Principle 1 IPECA-SE1, SE2, SE3, SE4, SE5,	Percentage of operations with implemented local community engagement, impact assessments, and development programs <i>The Company implements procedures related to stakeholder engagement, assessment of community impacts, and community impact management in key regions of operations, including development of new projects. Such approaches apply to most Company sites</i>	Society		100–109	✓
	RSP-3.3.2	Collaboration with government authorities in the field of socially significant problems	Society – Development of the Social Impact Management System; Company's Social Performance in 2014 – Collaboration with the Regions of Operations		100–104	✓
		Social investments	Key Sustainability Performance Indicators; Society – Development of the Social Impact Management System		9–10, 100	✓
	G4-SO2 UN GC Principle 1	Operations with significant actual or potential negative impacts on local communities <i>Relocation of Company's employees and contractors due to the development of new projects can have a negative effect on the local community in the regions where the Company operates. Additionally, adverse factors may include environmental impacts and security threats.</i> <i>The Company makes efforts to prevent this adverse impact from employee relocation for the local community and takes measures to mitigate adverse environmental impacts and improve the safety level</i>				✓
	GRI G4 OG10 RSP-3.2.3	Number and description of significant disputes with local communities and indigenous peoples <i>No significant conflicts with local and indigenous communities were recorded in 2014</i>				✓
	GRI G4 OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned <i>As at the end of 2014, the Company had 10,780 active onshore facilities (well pads, oil transfer points, plants, filling stations, and oil depots), three operated offshore facilities (well pads and platforms), and 1,245 inactive onshore facilities where no operations were carried out. The disturbed area occupied by the facilities approximates 156 thousand ha. The Company has decommissioning plans in place covering five years for filling stations and oil depots and at least 1% of well pads and oil transfer points. When decommissioning its facilities, Rosneft is mainly guided by law requirements and takes care of its employees and local community. The Company did not record any stakeholder complaints regarding decommissioned facilities in the reporting year.</i>				✓
Local Communities						
Anti-corruption	G4-DMA	Disclosure on Management Approach	Sustainability Management – Development of the Compliance System		34–35	✓

Anti-corruption	G4-SO3 UN GC Principle 10 IPECA-SE11, SE12	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		The indicator is not disclosed. The exact number of subsidiaries analyzed for corruption risk is confidential		✓
		<i>Anti-corruption practices are part of the Company's Code of Business Ethics. The Company developed and approved Anti-Corruption and Corporate Fraud Fighting Policies. Actions were taken under the Integrated Fraud and Corruption Prevention Program in 2014 to implement the policies</i>				
	G4-SO4 UN GC Principle 10 IPECA-SE11	Communication and training on anti-corruption policies and procedures	Sustainability Management – Development of the Compliance System		34–35	✓
Anti-corruption	G4-SO5 UN GC Principle 10 IPECA-SE11, SE14	Confirmed incidents of corruption and actions taken	Sustainability Management – Development of the Compliance System		34–35	✓
		<i>Anti-corruption aspects also pertaining to Security and Internal Audit & Control performance in the Company</i>				
	G4-DMA	Disclosure on Management Approach	Stakeholder Engagement; Society – Company's Social Performance in 2014 – Collaboration with the Regions of Operations		40–43, 101–104	✓
Public Policy	G4-SO6 UN GC Principle 10 IPECA-SE11, SE14	Total value of political contributions by country and recipient/ beneficiary				✓
		<i>The Company does not allocate funding for political purposes</i>				
	RSP-3.3.1	Position with regard to public policy and involvement in public policy development and lobbying	Environmental Safety – Development of the Environmental Management System – Development of Government Relations; Personnel – Company's HR Management Performance in 2014 – Personnel Training and Development System; Occupational Health and Safety – Development of the Occupational Health and Safety Management System		62, 84–86, 48–49	✓
	<p><i>In 2014 the following resolutions were passed by the government with active participation of the Company:</i></p> <ul style="list-style-type: none"> – <i>In accordance with the Instructions of the President of the Russian Federation and the Russian Government Directives Rosneft Board of Directors approved the Company regulations on the system of performance indicators on December 09, 2014.</i> – <i>Federal Law No. 336-FZ of November 24, 2014 was adopted to amend the most significant changes in tax laws. In particular these amendments pertain to the implementation of the "tax maneuver" in the oil industry proposed by the Russian Government introduced to comply with Federal Law No. 263-FZ of September 30, 2013. They stipulated a gradual increase in mining tax during oil production subject to a reduced customs export rate for crude oil.</i> – <i>Rosneft Board of Directors passed a series of resolutions during 2014 in line with the directives of the Russian Government regarding:</i> <ul style="list-style-type: none"> • <i>expanding access for SME to Rosneft purchasing systems;</i> • <i>improving management performance and enhancing transparency of Rosneft operations;</i> • <i>improving productivity in Rosneft;</i> • <i>developing an action plan to implement the key provisions of the Corporate Governance Code of the Bank of Russia in the Company's operations;</i> • <i>maintaining the level of net currency assets of the Company.</i> – <i>Rosneft joined efforts with Gazprombank to create an industrial and ship-building cluster in the Russian Far East on the premises of Far Eastern Shipbuilding and Ship Repair Center (FESSR) OJSC. In the preparatory phase of the formation of the cluster the Decree of the President of the Russian Federation on Development of Shipbuilding in the Far East was published on July 21, 2014. It instructed the Russian Government to ensure the actions listed in the Decree are taken within 12 months, including the sale of FESSR OJSC shares and 30 SRP to Rosneft and Gazprombank Consortium.</i> – <i>A total of 34 air fields owned by the Russian Ministry of Defense were supplied with air fuel in 2014 to comply with the instructions of the Russian Government.</i> <p><i>See Rosneft Annual Report 2014 (Appendix 2. Main Factors of Risk, p. 209-213)</i></p>					



Emergency Preparedness	G4-DMA IPECA-HS1	Disclosure on Management Approach	Occupational Health and Safety – Company's Occupational Health and Safety Performance in 2014 – Emergency Preparedness		55–56	✓
	G4-DMA	Disclosure on Management Approach	Occupational Health and Safety – Company's Occupational Health and Safety Performance in 2014– Occupational Health		52–56	✓
	GRI G4 OG13 IPECA-HS1, HS5	Number of process safety events	The Company in 2014: General Information – Rosneft 2030 Development Strategy –Environmental performance and Occupational Health and Safety; Occupational Health and Safety	Partially disclosed. The Company does not account for the cases of loss of integrity pursuant to the methodology proposed by this indicator. Currently, these cases are taken into account and classified in accordance with the requirements of Russian legislation	18, 48–57	✓
Asset Integrity and Process Safety	<p><i>Ensuring safety and security is the Company's highest priority. In order to prevent accidents, the Company conducts regular occupational health and safety inspections in its subsidiaries, has an OHS training system for its employees in place and practices emergency response actions during drills.</i></p> <p><i>Ten accidents were recorded at the Company's facilities in 2014: Ryazansk Oil Complex CJSC, Orenburg Drilling Company LLC, Saratov Refinery OJSC, RN-Stavropolneftegaz LLC, RN-Komsomolsk Refinery LLC, YUNG-Teploneft LLC, Novokuibushev Refinery OJSC, and two accidents at Kuibyshev Refinery OJSC and Achinsk Refinery VNK OJSC with the latter classified as an emergency. No environmental accidents occurred in the reporting period.</i></p>					

ANNEX 5

LIST OF ABBREVIATIONS

The terms **Rosneft Oil Company**, **Rosneft**, **the Company** used in this Report mean either Rosneft Oil Company OJSC or Rosneft Oil Company OJSC with its subsidiaries and affiliates depending on a particular context.

The terms **TNK-BP** and **TNK-BP Company** used in this Report mean TNK-BP Group. The 2014 Sustainability Report provides information as of December 31, 2014 unless stated otherwise.

GRI Guidelines – Sustainability Reporting Guidelines (Version G4) developed by the international organization Global Reporting Initiative.

APG	associated petroleum gas
API	American Petroleum Institute
BOD	Board of Directors
CDEP	Civil Defense and Emergency Prevention
CJSC	Closed Joint-Stock Company
CRMS	Corporate Risk Management System
CSR	corporate social responsibility
EIA	Environmental Impact Assessment
EMERCOM	Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
FEFU	Far Eastern Federal University
FEC	fuel and energy complex
FER	fuel and energy resources
GRI	Global Reporting Initiative
GTL	Gas to liquids, a process to convert natural gas into liquid hydrocarbon products
HR	human resources
HSE	Health, Safety, and Environment
ICS	internal control system
IFRS	International Financial Reporting Standards
IHSEMS	Integrated Health, Safety and Environmental Management System
ILU	Interregional Labor Union
IMCA	International Marine Contractors Association
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardization
ISTC	Interregional Scientific and Technical Conference
KPI	key performance indicator
LLC	Limited Liability Company
LNG	liquefied natural gas
MICEX	Moscow Interbank Currency Exchange

MFA	Ministry of Foreign Affairs
MGIMO	Moscow State Institute of International Relations
MSU	Lomonosov Moscow State University
N/A	not available
OHS	Occupational Health and Safety
OJSC	Open Joint-Stock Company
R&D	research and development
ROACE	return on average capital employed
Rostekhnadzor	Federal Environmental, Industrial and Nuclear Supervision Service
RSPP	Russian Union of Industrialists and Entrepreneurs
SCCM	Situation Center for Crisis Management
SEC	U.S. Securities and Exchange Commission
SME	small and medium enterprise
SPNA	specially protected natural areas
TIP	targeted innovation projects
UN	United Nations
UNEP/COM	Russian National Committee for UNEP
VAT	value-added tax
VOC	volatile organic compounds
WWF	World Wildlife Fund
bn	billion
bscm	billion standard cubic meters
GJ	gigajoule
ha	hectare
mboe	million barrels of oil equivalent
mln	million
mcm	million cubic meters
mscm	million standard cubic meters
mmt	million metric tons
tce	tonnes of coal equivalent



CONTACT INFORMATION

Rosneft Oil Company Open Joint Stock Company

Address

26/1 Sofiskaya Embankment, Moscow 117997 Russia

Telephone

+7 499 517-73-33

E-mail

postman@rosneft.ru

Corporate website

www.rosneft.ru

www.rosneft.com

Feedback

For any questions related to our Company's Sustainability Report, please contact the Social Development and Corporate Culture Department.

E-mail: e_karpova@rosneft.ru



www.rosneft.ru