

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Gazprom Neft PJSC has a Risk Management Policy that defines the general goals and principles of risk management in order to make the Group’s business more secure in both the short and the long term.

Gazprom Neft’s key goal in risk management is to increase the effectiveness of management decisions through an analysis of related risks and also to maximize the effectiveness of risk management measures when implementing the decisions that the Company has adopted.

Risk management is built on the principle of integrating analysis and risk management tools into key corporate processes. Responsibility for risk management and preparing reporting on risk management is determined in accordance with the system of linear and functional management. An owner is appointed for each risk and is responsible for managing it. Risk coordinators who promote and support the use of corporate risk management principles are selected from among managers at the level of each function and key

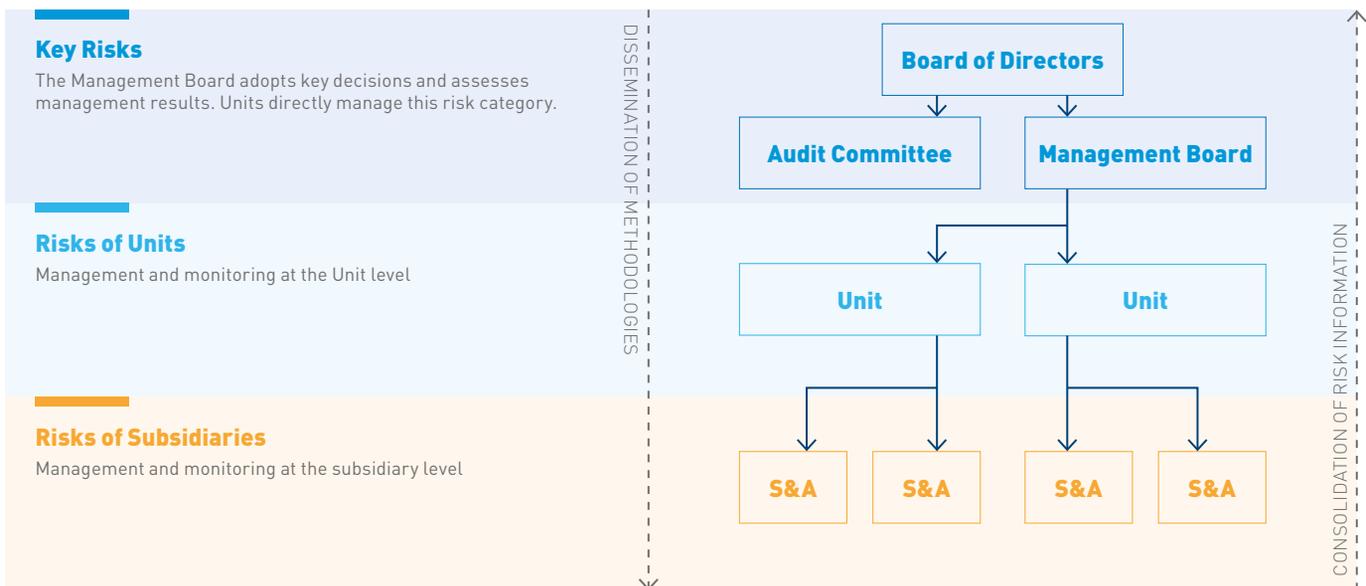
business process. The risk analysis deadlines and objectives take into account the specific features and demands of each business process for which risk management is performed.

This approach makes it possible to form zones of responsibility for risk management and monitor risks at all levels of the Company’s management as well as ensure the preparation of targeted response plans to substantial risks both at each subsidiary as well as at Gazprom Neft as a whole.

Objectives of risk management:

- to establish a risk management culture at the Company in order to reach a common understanding among management and employees of the main principles and approaches to risk management;
- to establish and introduce a systematic approach to identifying and assessing risks that are inherent in the Company’s activities both as a whole and individual areas of activities;

LEVELS OF FINANCIAL IMPACT OF RISK AND DISTRIBUTION OF POWERS WITHIN THE IRMS



- to promote the exchange of information on risks between the Company's structural divisions and the joint development of risk management actions;
- to provide systematic information about risks to the Company's governing bodies.

In order to meet this objective, the Company has developed and implemented a unified approach to the risk management process, which combined with unified risk analysis tools and methods forms the Integrated Risk Management System (IRMS).

The regulatory and methodological framework of the IRMS includes the following documents:

- the Risk Management Policy;
- the Integrated Risk Management System (IRMS) Company Standard;
- methodological guidelines for the risk management process;
- additional methodological guidelines for certain types of risks and on the use of certain risk analysis tools.

Risk management constitutes an integral part of the internal environment of Gazprom Neft and includes:

- introducing a risk-oriented approach to all aspects of production and management activities;
- conducting a systematic analysis of identified risks;
- building a system to control risks and monitor the effectiveness of risk management activities;
- an understanding by all Company employees of the basic principles and approaches to risk management in place at the Company;
- providing the required regulatory and methodological support;
- allocating powers and responsibilities for risk management among the Company's structural divisions.

FLOWCHART OF RISK MANAGEMENT PROCESS AT THE GAZPROM NEFT GROUP



DEVELOPMENT OF THE INTEGRATED RISK MANAGEMENT SYSTEM

The Company is continuously expanding the methodological framework for the IRMS, including general recommendations on the quantitative risk assessment of project and business planning as well as detailed methods for assessing the most substantial inherent risks.

As of the end of 2017, the IRMS covered all major Gazprom Neft assets. Once new projects are launched or existing assets are acquired, they are included within the IRMS.

In 2018, the Company plans to continue developing regulatory and methodological documents to analyse certain substantial risks and integrate risk analysis into the decision-making process and also to expand the training programme for the Company's executives and employees on matters concerning risk management tools and methods.