



2007

OJSC ROSNEFT  
PETROLEUM  
COMPANY:  
SUSTAINABLE  
DEVELOPMENT  
REPORT



**ROSNEFT**



## **ROSNEFT SUSTAINABILITY REPORT**

**2007**

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

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## MESSAGE FROM THE CHAIRMAN OF THE BOARD

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**T**oday Rosneft is the leader of the Russian oil production industry and a major global integrated structure in the field of oil and gas production, refining, and manufacturing of petroleum products. The assets acquired this year allowed us to double the refining capacity, to expand the scale and geographical scope of our petroleum products retail marketing oper-

## MESSAGE FROM THE CHAIRMAN OF THE BOARD

ations, and become a significant manufacturer of petrochemicals and quality car oils.

The Company is not going to rest where it is and intends to further boost its oil production operations. Our plans envision an increase in annual oil production from 100 million tonnes today to 130 million tonnes in 2010, and to 160 million tonnes in 2015, provided that the economic conditions are favourable. The Company's key oil production assets in West Siberia and Timan Pechora have good prospects for future development. In addition, we have a considerable portfolio of exploration projects in new regions, which will make major contribution to the Company's overall hydrocarbon production in the nearest future. This primarily refers to the East Siberian oilfields that will produce oil to be exported via the "East Siberia – Pacific" pipeline currently under construction. Also of strategic importance to the Company are the Far East shelf projects, including Kamchatka ones, where Rosneft cooperates with leading global oil and gas companies.

A growing number of clients in Russia and dozens of other countries depend on our reliability and ability to fulfil our obligations. This predetermines our keen attention to all aspects of the operations that may affect sustainability of the Company's development, and contribute to accomplishment of our long-term plans to become one of the largest and most efficient global energy corporations.

Health, safety and protecting the environment are among the top principles of our operations. During the recent boost of Company's operations and acquisition of numerous new assets, not all aspects were given appropriate attention. Today we are doing our best to make up the leeway: a numbers of initiatives, including programme to improve associated petroleum gas utilisation rate, pipeline reliability improvement programme, and waste management pro-

gramme have been elaborated and are being implemented. Reconstruction of our oil refining facilities and upgrade of tank-farm equipment will make an important contribution to reducing environmental impacts and enhancing safety of our operations. In 2008, the Company's new health, safety and environment management strategy embracing all aspects of our increasingly diversified business will be finalised.

The competent and loyal personnel is a key prerequisite of the Company's sustainability in any situation. This year's priorities include unification of remuneration and benefit package across subsidiary companies, expansion of personnel training programmes, bringing living conditions in rotational camps in compliance with the new corporate standards, improvement and implementation of programmes aimed at improving health of the employees and their families, and investments in the infrastructure and social sphere of the areas where the Company employees and their families live.

Increasing stakeholders' awareness of our activities is an important objective of our efforts on improving the corporate governance system, efforts we make in the interest of our shareholders. This report is a new step along this road. We do hope that the information it contains will help you better understand our objectives and achievements, and we will appreciate any suggestions and ideas you may wish to provide.



Igor SECHIN  
CHAIRMAN OF ROSNEFT BOARD  
OF DIRECTORS



MESSAGE FROM THE PRESIDENT

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## MESSAGE FROM THE PRESIDENT

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I am very pleased to introduce the OJSC Rosneft Sustainability Report for 2007 prepared according to the Global Reporting Initiative's standards. This will be our second report of such kind. Working on continuous improvement of the corporate governance, we have decided to regularly provide our shareholders and all other stakeholders with information on an extended range of issues concerning the sustainable

## MESSAGE FROM THE PRESIDENT

development of the Company. Those primarily include the development of employee relations, corporate social programmes, creating safe and attractive working conditions, investments in the socio-economic development of the Company's regions of operations and assistance to vulnerable social groups, as well as our impact on the global and regional ecosystems.

In 2007, the Company acquired new assets with approximately 60 thousand employees. These include large oil and gas production companies, five oil refineries, marketing businesses, R&D and service companies, and logistic terminals. The integration of these assets into the Company's production and marketing system became the biggest challenge of the year, which, in our view, the Company met quite successfully. The new acquisitions allowed us to considerably improve the balance between production and refining capacities of the Company, more than double the retail refuelling station network, enter new regional markets, begin operations in the prospective bunkering service market. Now we are preparing to roll out a line of branded high-quality car oils.

The new scale of operations calls for increased attention to the safety of operations and their environmental effects. Our expenses in these areas grew by 70% in 2007 to reach RUR 4.6 billion.

While boosting oil production and refining, we were able to cut the overall pollutant emissions almost by 10%, reverse the APG utilisation rate decline trend, and reduce occupational injury rate almost by 25%. In 2007, the Company's integrated Health, Safety and Environment management system successfully passed a surveillance audit by the certifying organisation, and the "Environmental Targeted Programme" is being finalised.

This year we went on with the implementation of priority social programmes aimed at improving the working and living conditions of our employees, as well as corporate mortgage and pension schemes, and we are making our best efforts to gradually involve employees of the newly acquired assets into these schemes. We signed several new agreements with regional authorities concerning the infrastructural and social development of the key regions of the Company's operations, which would create a better environment for the expansion of our operations in those areas.

The last year was very successful for the Company. The first in today's Russia, Rosneft reached the historic 100-million annual oil production milestone to become a leader among Russian companies in this regard. We significantly outgrew our Russian and foreign competitors. We achieved worldwide leadership in terms of the proved oil and gas reserves among the public oil companies; we increased capitalisation and received record-breaking returns. We made an important step towards our strategic goal of becoming one of the largest and most successful global energy corporations.



Sergey BOGDANCHIKOV  
PRESIDENT OF ROSNEFT





## **REPORT PREPARATION APPROACH AND BOUNDARY**



- Material Topic Selection and Report Preparation Principles
- Report Boundary

This Sustainability Report (hereinafter, the 2007 Report) of OJSC Rosneft Oil Company (hereinafter, OJSC Rosneft, Rosneft, or the Company) covers the Company's operations in 2007, being the second report prepared by the Company according to the principles of the Global Reporting Initiative (GRI). In preparing this report, the Company relied on the third version of the GRI Sustainability Reporting Guidelines (hereinafter, the G3 Guidelines) including the indicator protocols constituting an integral part of the GRI Reporting Framework. This report is also based on the recommendations of the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting.



## SECTION 1: REPORT PREPARATION APPROACH AND BOUNDARY

## Key Topic Selection and Execution Principles

This Sustainability Report (hereinafter, the 2007 Report) of OJSC Rosneft Oil Company (hereinafter, OJSC Rosneft, Rosneft, or the Company) covers the Company's operations in 2007, being the second report prepared by the Company according to the principles of the Global Reporting Initiative (GRI). In preparing this report, the Company relied on the third version of the GRI Sustainability Reporting Guidelines (hereinafter, the G3 Guidelines) including the indicator protocols constituting an integral part of the GRI Reporting Framework. This report is also based on the recommendations of the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting.

The first Rosneft Sustainable Development Report (hereinafter, the 2006 Report) covered the year 2006 and was prepared in both Russian and English. The Report is available on the Rosneft website <http://www.Rosneft.ru/Social/> (Russian version) and <http://www.Rosneft.com/Social/> (English version).

The first OJSC Rosneft Sustainable Development Report (hereinafter, the 2006 Report) covered the year 2006 and was publicised in Russian and in English. You can find it on the Company's official web-site <http://www.rosneft.ru/Social/> (Russian version) and <http://www.rosneft.com/Social/> (English version).

The Company subscribes to the sustainability reporting principles set forth in the G3 Guidelines.

Our approach involves continuous expansion of the range of sustainability aspects and performance indicators disclosed as the Compa-

ny's management system progresses. The rapid growth of the Company and integration of newly acquired assets imposed a considerable load on the management system; therefore not all sustainability aspects have been paid sufficient attention so far. Some of them are not yet covered by corporate targeted programmes, and the data management system necessary for calculating the respective performance indicators is still being elaborated. The selection of topics and indicators to be disclosed in this Report takes into account the fact that not all sustainability aspects are equally significant to the contemporary Russian society, as can be proved by the analysis of stakeholder inquiries.

The material aspects for the 2007 Report were selected based on the following criteria:

- the topics of concern identified through employee polls and meetings of the management of the Company's subsidiaries with their staff. The most important of these issues include personnel development and career opportunities, the motivation system, corporate health programme and mortgage scheme;
- the topics raised at the roundtable meetings with the stakeholders, organised in the course of preparing the first Company's Sustainable Development Report. Those topics include the Company's environmental performance, the scale and areas of charitable activities in the regions of operation, and systematic approach to such activities, more integrated approach to cooperation between regional subsidiaries and respective municipal authorities regarding local infrastructure and social sector;



## SECTION 1: REPORT PREPARATION APPROACH AND BOUNDARY

- the topics normally included in the sustainability reports of leading oil and gas companies.

The 2007 Report is also based on the management accounts, audited financial statements (under GAAP and RAS), as well as the results of sociological surveys and materials of roundtable meetings carried out in the Company's regions of operations.

supervisory authorities, and the general public, were organised in 17 regions of operations. In addition to the 8 regions where roundtable meetings were carried out in the process of the 2006 Report preparation, 9 more regions, including the ones where newly acquired assets were located, were involved in the consultation process. The results of these consultations are summarised in the Stakeholder



Compared to the 2006 Report, the 2007 Report discloses a considerably larger range of environmental performance indicators. A product responsibility section was also added. In addition, the 2007 Report contains information on the most important social programmes aimed at the Company's personnel, investments in the regions of operations, and contribution to the local community development.

In preparing the 2007 Report, the Company considerably broadened the geographical scope of engagement with local stakeholders. Roundtable meetings regarding sustainability aspects of the Company's operations, which involved local and regional authorities, federal

Engagement section of this Report. In preparing its future sustainability reports, the Company plans to further broaden the geographical scope of roundtable meetings and other forms of stakeholder engagement in order to eventually cover all significant regions of operations.

The 2007 Report is addressed mainly to the shareholders and investors, employees and their families, Russian federal authorities, authorities and local communities in the Company's regions of operations, customers, and non-governmental environmental organisations. The report complies with the B+ GRI Application Level. Independent assurance of the 2007 Report was carried out by Ernst & Young.





## SECTION 1: REPORT PREPARATION APPROACH AND BOUNDARY

## Use of GRI reporting principles in preparing the 2007 Report

Principle	Use of the principle in preparing the 2007 Report
<b>Principles for defining Report content</b>	
<b>Materiality</b>	Use of this principle is explained in the description of our approach to selecting the topics for the 2007 Report.
<b>Stakeholder inclusiveness</b>	List of significant stakeholders and principles of their selection are provided in Stakeholder Engagement section of the Report. The approach to addressing stakeholder expectations is outlined in the description of our approach to selecting the topics for the 2007 Report.
<b>Sustainability context</b>	We strived to represent the Company's contribution to different aspects of sustainability both at the national level and at the level of key regions of its operations.
<b>Completeness</b>	The Report covers a predominant part of the major Company's subsidiaries and regions of operations – see Report Boundaries section. The Report addresses the main categories of economic, social, and environmental impacts of the Company's operations.
<b>Principles for defining Report quality</b>	
<b>Balance</b>	Both positive (e.g. contribution to socio-economic development of the regions of operations) and adverse (environmental impact) impacts are covered by the discussion of the Company's sustainability performance. The section on stakeholder engagement presents a full range of judgments on various aspects of the Company's operations.
<b>Comparability</b>	It is achieved by reliance of the G3 Guidelines and indicator protocols in calculating performance indicators, and by providing specific indicators (e.g. per tonne of oil produced) in addition to absolute ones.
<b>Accuracy</b>	The Company's audited US GAAP and RAS financial statements, management accounts of the Company and its subsidiaries, prepared in accordance with the approved policies, as well as interviews with managers of the Company and representatives of external and internal stakeholders were used in preparation of the Report. No analysis of accuracy of the Company's reporting systems has been performed in preparing this Report.
<b>Timeliness</b>	It is ensured by producing sustainability reports on an annual basis. We strive to prepare and publish the reports within the shortest time possible after completion of the respective reporting period.
<b>Clarity</b>	We try to make the Report comprehensible to a broad range of stakeholders and avoid using complicated technical terms and professional jargon. Each Report section contains complete enough but not excessively detailed information regarding the Company's sustainability impacts. We provide references to the sources, containing more information on the topics addressed in the Report.
<b>Reliability</b>	We use external assurance of the Report and include the statement of the assurance provider. We provide references to the materials on stakeholder engagement available on the Company's website, as well as references to the sources of financial information used.



## SECTION 1: REPORT PREPARATION APPROACH AND BOUNDARY

## Report Boundary

**O**JSC Rosneft together with its subsidiaries and dependent companies constitute a group of enterprises (hereinafter, the Group or the Rosneft Group) whose core business is focused on the exploration, development, production and sales of oil and gas, as well as the production, transportation, and marketing of petroleum products in the Russian Federation and abroad. In addition to the SDCs involved in the primary business, the Group also comprises construction, power supply, service, financial, management, investment, and other companies.

The performance indicators concerning benefits and social payments, injury rates, HSE expenses and investments presented in the 2007 Report include the data on newly acquired assets covering the second half of 2007, and refer, unless noted otherwise, to OJSC Rosneft and its SDCs covered by the Consolidated Statements under the Russian Accounting Standards (the respective list is available in the 2007 Annual Report, pp. 242-252, [www.Rosneft.ru/Investors/statements\\_and\\_presentations/annual\\_reports/](http://www.Rosneft.ru/Investors/statements_and_presentations/annual_reports/)), except LLC Polyarnoe Siyanie Company and OJSC TomskNeft.

The subsidiaries and dependent companies covered by the above performance indicators collectively account for more than 75% of the Group employees and more than 80% of the Group's oil production and refining.

Unless noted otherwise, the environmental performance indicators refer to the SDCs involved in the Company's core business, except for the assets acquired in 2007.

The financial and economic performance indicators specified in the Report refer, unless noted otherwise, to the Group's 2007 Consoli-

dated Financial Statements under the US Generally Accepted Accounting Principles (GAAP) available on the Company's website. These Statements represent the operations of the subsidiaries, controlled companies and variable interest companies in which the Company is the principal beneficiary. See the note to the GAAP Financial Statements for the explanation of consolidation principles. The note also lists the Rosneft subsidiaries included in the GAAP Consolidated Financial Statements.

The product responsibility data presented in the Report refer to the downstream sector, including oil refineries, petrochemical and oils plants, and marketing enterprises.

The data on supporting regional, local, and community development refer to all regions of operations of the Company and its subsidiaries.

This Sustainability Report covers the operations of the Rosneft Group for the period from January 1st, 2007 till December 31st, 2007.

Compared to the previous year, the list of companies constituting the Group changed dramatically – 146 new enterprises were acquired by the Company.

These internal changes make comparison to the preceding period in terms of absolute indicators difficult. Therefore the best efforts were made to complement these data with specific indicators and information on individual subsidiaries. Wherever possible, the data are for the two preceding years and projected 2008 indicators are cited.





## COMPANY PROFILE



- Oil and Gas Production
- Oil Refining, Petrochemistry and Distribution
- Exploration
- Technologies and Innovation
- Changes of Asset Composition

OJSC Rosneft is a major vertically integrated Russian oil and gas company, a national leader in terms of the proven oil production deposits and scope. It takes second place in terms of capitalisation yielding only to OJSC GasProm.



SECTION 2: COMPANY PROFILE

**O**JSC Rosneft, a major vertically integrated Russian oil and gas company, is the national leader in terms of proved reserves and oil production. In terms of capitalisation, it is second only to Gazprom.

As of December 31st, 2007, OJSC Rosneft Group comprised 516 companies, including 17 oil and gas production companies, 7 large oil refineries, four marine oil and petroleum product transshipment terminals, and 1695 refuelling stations all over Russia owned by the Company. The corporation is an open joint stock company, its shares and depository receipts are traded on the major Russian and global stock exchanges. In terms of capitalisation, the Company is among the 15 largest oil and gas companies in the world. All Company's oil and gas production operations are located within the Russian Federation, while exploration activities are also carried out in Kazakhstan, Turkmenistan and Algeria.



## KEY BUSINESS INDICATORS

Production and Finance	2005	2006	2007
Oil and gas condensate production, million tonnes	74	81	101
Gas production, billion m <sup>3</sup>	13.1	13.7	15.3
Production of petroleum products at corporate oil refineries, million tonnes	21.3	22.7	38.3
Sales proceeds and other operating income, USD million	23 863	33 099	49 216
Operating profit, USD million	5 522	5 604	10 721
Net profit, USD million	4 159	3 533	12 862
Total assets at the end of year, USD million	30 016	46 790	74 805
Long-term accounts and liabilities payable at the end of year, USD million	8 198	7 402	11 723
Return on average allocated capital (ROACE), %	22.3	18.1	18.6



## SECTION 2: COMPANY PROFILE

Personnel and Health			
Average headcount, including subsidiaries and dependent companies, thousand	69	74	106
Wages and social benefits (RAS), USD million	590	851	2 060
Social payments and benefits, USD million	24.3	38.7	83.5
Expenses on corporate social facilities, USD million	37.9	58	155
Company's payments to occupational pension fund (USD million)	16	76.1	63.1
Occupational injury rate (accidents per 1 million working hrs)	0.5	0.34	0.26
Health and safety costs, USD million	24	26	74
Environmental Performance			
Overall pollutant emissions into the air, thousand tonnes	960	1 060	965
Specific pollutant emissions into the air, kg per tonne produced (oil equivalent):	11.3	11.5	8.54
Associated petroleum gas utilisation rate, %	62.5	59	61.3
Overall water discharges to surface water bodies, million m <sup>3</sup>	6.38	7.09	6.82
Pipeline ruptures involving spills of oil and petroleum products	3 121	4 103	4 110
Oil and petroleum products spilled as a result of pipeline ruptures, tonnes	3 242	3 604	3 296
Specific number of pipeline ruptures involving spills (incidents per 1 million tonnes of oil produced)	42.2	50.7	40.7
Specific number of oil and petroleum products spilled as a result of pipeline ruptures (kg per tonne of oil produced)	0.044	0.044	0.033
Environment protection costs, USD million	44	74	106
Stakeholders: government, shareholders, communities			
Tax payments to budgets of all levels, including export tax, USD million <sup>1</sup>	13 199	18 670	28 828
Dividends paid, including minority dividends paid by subsidiaries, USD million	135	499	536
Cost of social programmes, including social investments and charity in the regions of operation, USD million	152	279.1	557.2
Including expenses under regional cooperation agreements, USD million	14.3	45.8	112.5
Including charity, USD million	13.3	10.6	33.6

<sup>1</sup>The total amount of taxes and payments to budgets of all level according to the Company's statements under US GAAP. According to the existing Russian regulations, part of the amount is to be paid by the Company and its subsidiaries in 2007, with the remaining part to be paid in the first half of 2008.



SECTION 2: COMPANY PROFILE

## Oil and Gas Production

As of early 2008, Rosneft ranks first among the world's public oil companies in terms of proved oil and gas condensate reserves, which amount to 2,399 million tonnes. The Company's proved reserves of gas constitute 711 billion m<sup>3</sup>.

The key oil production areas include West Siberia and Timan Pechora, which account for more than 70% of total production. The Company also produces oil in the North Caucasus, Volga Region and on Sakhalin. At present, the Company is completing the development of the largest East Siberian Vankor oilfield located in Krasnoyarsk Region. The oil from the oilfield

will be exported over the "East Siberia – Pacific" pipeline currently under construction.

The Company associates its long-term prospects for expanding oil and gas production with the Sea of Okhotsk shelf projects, including "Sakhalin-3", "Sakhalin-4", "Sakhalin-5", and the Kamchatka Peninsula shelf development. All these projects are implemented together with foreign partners under joint funding agreements, thus allowing the Company to minimise its risks and capital outlays.

## Oil Refining, Petrochemicals, and Marketing

The overall design capacity of the Company's seven large refineries amounts to more than 52 million tonnes per year, allowing them to process approximately 50% of oil produced by the Company.

In 2007, the Company's oil refineries processed 48.2 million tonnes of oil, including 40.2 million tonnes produced by Rosneft itself, while the refining depth was 65%.

In order to increase its oil refining capacity and depth, the Company is implementing major modernisation projects at the Komsomolsk and Tuapse Refineries. It also upgrades existing and installs new machines in the newly acquired oil refineries in order to assure compliance with European quality standards.

The Company's refineries are conveniently located, allowing Rosneft to efficiently market petroleum products both domestically and internationally. The Company also has oil and petroleum product export terminals on the Black Sea coast (Tuapse), North Sea coast (Archangelsk) and in the Far East (Nakhodka and DeKastri). In 2007, Rosneft exported 63.2 million tonnes of oil and 19 million tonnes of petroleum products. The Company's distribution network includes 155 tank-farms and 1695 refuelling stations in 36 Russian regions. The Company also owns a number of plants producing special purpose lubricants and greases, as well as Angarsk Polymer Plant manufacturing olefins, benzene and polyethylene.





SECTION 2: COMPANY PROFILE







SECTION 2: COMPANY PROFILE

## Exploration

The Company carries out extensive exploration activities both on its own and jointly with partner companies within the framework of domestic and foreign projects.

The priority regions in terms of expanding the Company's reserves include the Far East, East Siberia, and shelves of southern seas – Caspian Sea, Black Sea and the Sea of Azov. Ros-

neft has prospective projects in each of these areas. The Company continues exploration activities in its traditional areas of operations, including West Siberia, the Volga Region, the North Caucasus and Timan Pechora. In 2007, the Company carried out a total of 97.4 thousand meters of exploration drilling, 9,852 km of 2D seismic surveys, and 6,704 km<sup>2</sup> of 3D seismic surveys.





SECTION 2: COMPANY PROFILE

The Company implements a number of major exploration projects abroad, including Block 245-South in

Algeria, the Hurmangazy project and Aday Block in Kazakhstan, and Blocks 29-31 in Turkmenistan.

## Innovation and Technology Development

The innovative development of the Company is facilitated by the Corporate Research and Development Facility (CRDF) comprising the Corporate Research and Technology Centre, as well as 10 corporate research, development, and design institutes operating in various regions of Russia. In 2007, the innovation and technology development staff amounted to 4 thousand, including 170 Candidates of Science and 22 Doctors of Science. They are in-

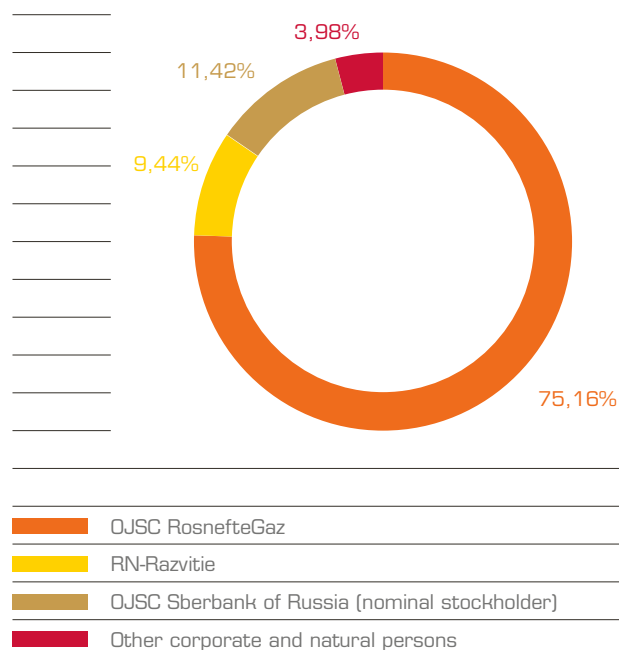
involved in R&D projects aimed at increasing efficiency of exploration activities and reducing related risks, elaborating integrated development schemes for difficult fields, process optimisation in oil production and refining, enhancing energy and resource efficiency, as well as improving environmental performance. The CRDF plays the key role in maintaining the efficiency of Company's operations and its long-term competitiveness.

## Acquisition of New Assets

In 2007, Rosneft acquired the oil production, refining and petrochemical assets of OJSC Yukos through competitive bidding.

The Company acquired stock and participation interest in authorised capital of 146 Russian and foreign enterprises, including 9.44% of Rosneft shares owned by these enterprises, with the total value of deals amounting to RUR 660 billion. These acquisitions provided Rosneft with additional 6 oil and gas production and exploration businesses, 5 large oil refineries with the total design capacity of more than 41 million tonnes per year, 44 distribution businesses comprising 1078 refuelling stations and 148 tank farms, and 6 R&D institutes. See [www.Rosneft.ru](http://www.Rosneft.ru) for a complete list of the assets acquired.

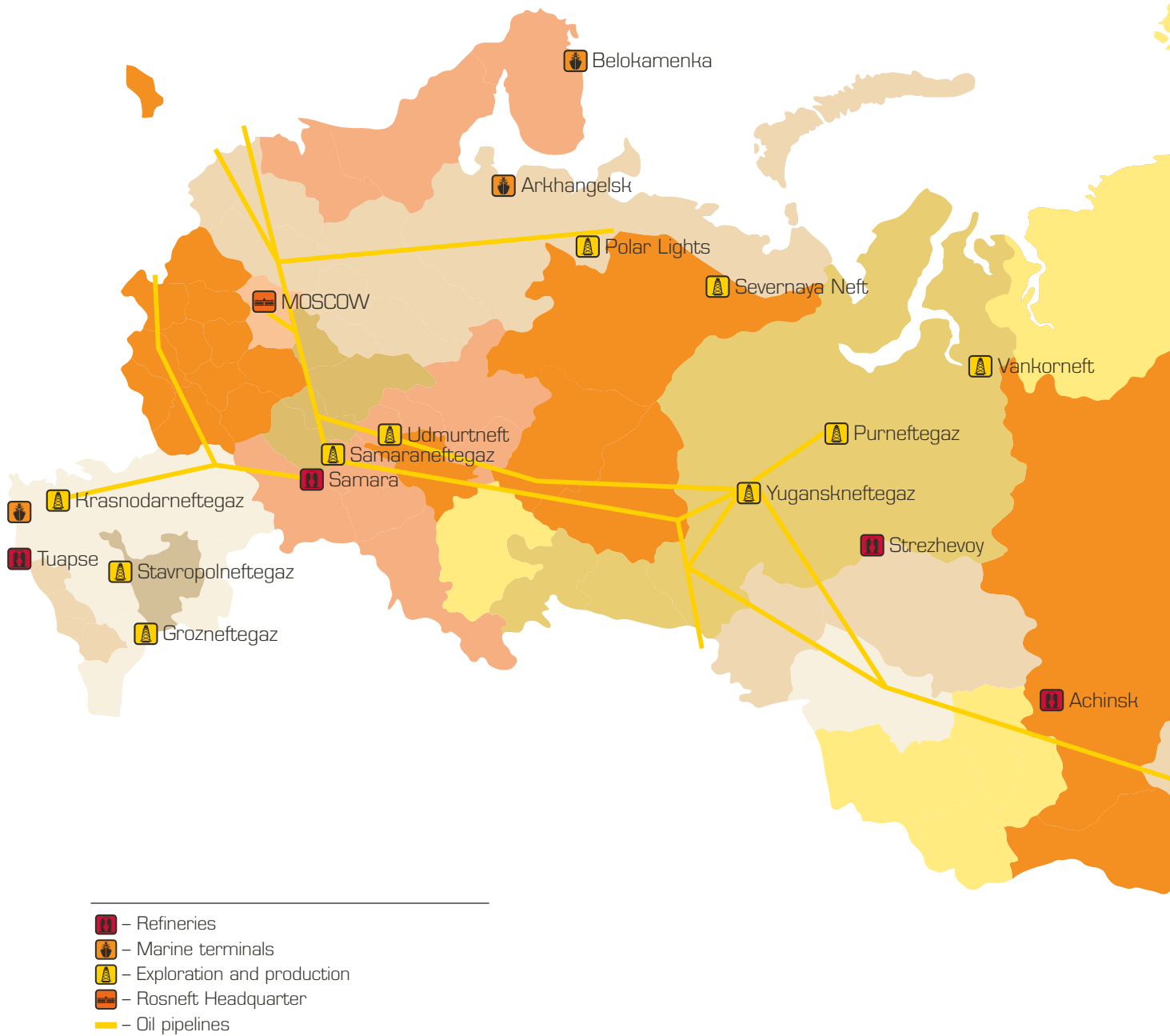
**OJSC Rosneft Capital Stock Structure as of December 31<sup>st</sup>, 2007**





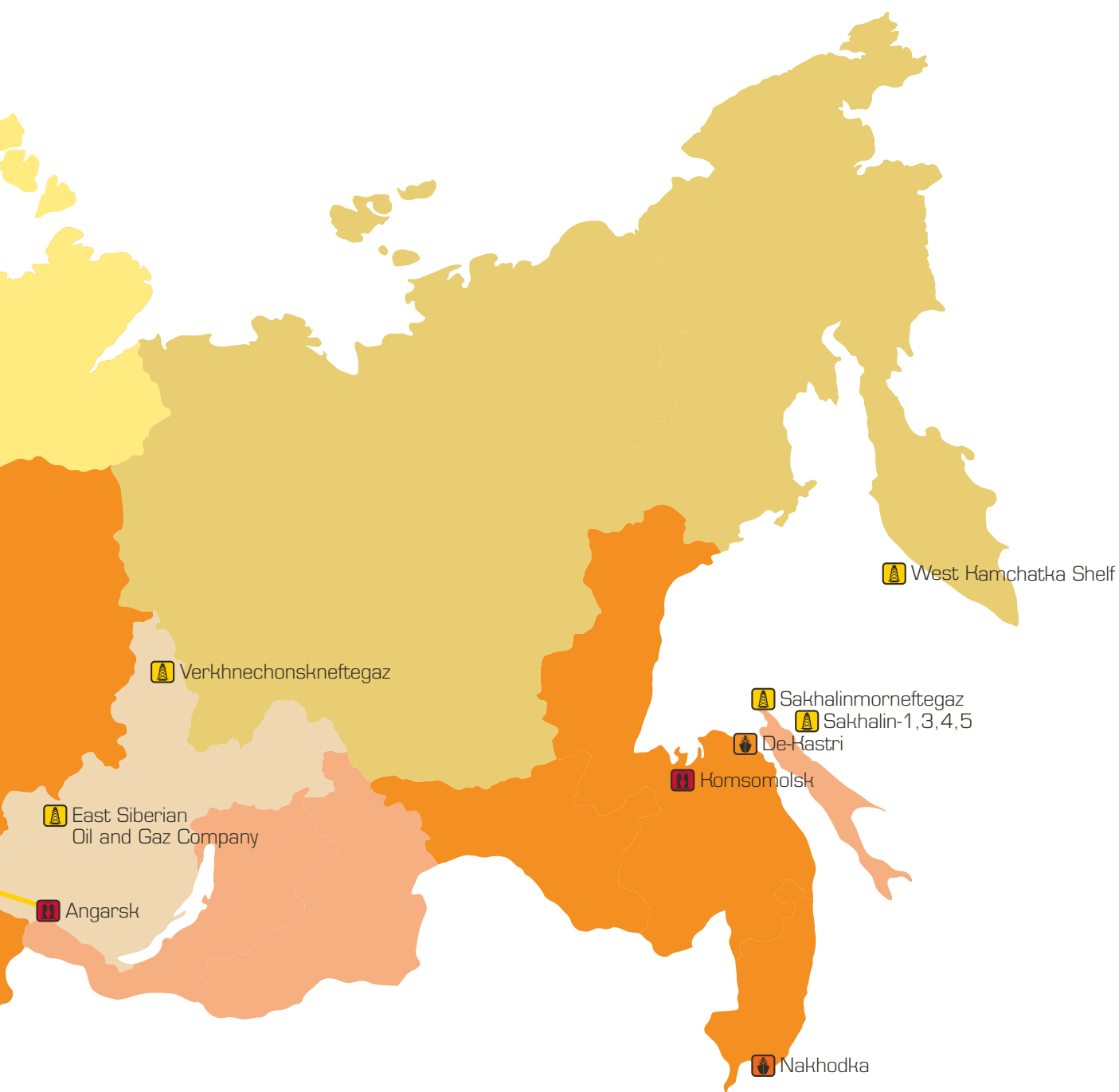
SECTION 2: COMPANY PROFILE

# Fixed Asset and Company Operations Region Map – as in 2007 Annual Report;





SECTION 2: COMPANY PROFILE





# 3

**SUSTAINABILITY  
IMPACTS,  
ACHIEVEMENTS, RISKS  
AND OPPORTUNITIES**



- Major Sustainability Impacts
- Strategic Objectives Achieved Period in the Reporting
- Risks and Opportunities

The Company is one of the largest national employers and has a substantial influence on the economy, society and environment both on the national scale and in specific regions of the Company's operations.





## SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

## Major Sustainability Impacts

The Company is one of the largest national employers and has a substantial influence on the economy, society and environment both on the national scale and in specific regions of the Company's operations.

### The major economic impacts include:

- a considerable contribution to ensuring national energy security and supplying more than 50 regions with petroleum products;
- the Company is among the largest national tax-payers with the aggregate payment to the consolidated national budget of USD 29 billion in 2007 ;
- a significant impact on the markets of pipeline products, machinery, and transportation services;
- the Company's subsidiaries are major employers in some Russian regions and serve as local economic mainstays for several municipalities thus making a considerable contribution to sustainability and investment attractiveness of such regions and areas.

### The major environmental impacts include:

- air impacts (pollutant and greenhouse gas emissions). In 2007, the Company's pollutant emissions amounted to 965 thousand tonnes. In order to reduce pollutant and greenhouse gas emissions, Rosneft developed the Gas Programme, which provides for increasing associated petroleum gas utilisation rate to 95% by 2012;

- impacts on water resources (water consumption for process needs, water pollution resulting from operations, leakages and accidents). In 2007, the overall water withdrawal decreased 7% to 147,592 thousand m<sup>3</sup> against the 40% increase in oil production. The biggest water consumer is the oil production sector responsible for more than 95% of the total withdrawal;
- land use for production sites, sludge storages and other waste disposal sites. By late 2007, the overall area of disturbed land amounted to 6082 hectares with 2347.3 thousand tonnes of accumulated wastes, including 102.9 thousand tonnes of oil sludge;
- potential biodiversity impacts. Such risks are associated with the Company's production operations in sensitive areas, including estuary and overflow areas of the Sea of Azov, the Sea of Okhotsk shelf, the Ob river basin, and tundras of Timan Pechora and Krasnoyarsk Region (Vankor oilfield). The Company closely cooperates with relevant supervisory authorities to monitor the situation in such areas and strictly adheres to the practices minimising biodiversity impacts;
- air pollution resulting from consumption of petroleum products produced by the Company (an indirect effect). In order to reduce this kind of impact, Rosneft continuously improves the quality of its petrochemicals and embarked on major upgrade of its refineries, planning complete transition to production of gasoline and diesel fuel production conforming to Euro-4 and Euro-5 standards by 2012.

<sup>2</sup>See footnote to Section 2



## SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

**The major social impacts include:**

- being a major employer offering decent wages and social assistance. In all major regions of the Company's operations, personnel salaries exceed local average salaries and are 3.5-14 times higher than the subsistence level in respective regions;
- infrastructural and social development in the Company's regions of operations. In 2007, the Company allocated RUR 2.9 billion for the development of social sector in Russian regions under existing cooperation agreements with regional governments;



- contribution to formation of ethical social and business relations through the observance of human rights, equality, transparent supplier and contractor relations, and a socially responsible approach toward restructuring of the Company, its subsidiaries and dependent companies;
- charitable support of vulnerable groups, cultural institutions, and local community initiatives. This includes providing aid to war and labour veterans, those with disabilities, healthcare institutions, orphanages, state-financed organisations, as well as sponsoring holidays and festivals, etc.
- improvement of regional educational potential, support of sports and healthy lifestyles. The Company concluded cooperation agreements with more than twenty universities, and a number of secondary professional educational institutions all over Russia. In 2007, 34 "Rosneft-Classes" were organised in secondary schools of 18 towns located in 10 regions of Russia. Investments in the construction of popular sports facilities and support of children's sports are among the Company's top priorities;
- a considerable contribution to protecting traditional lifestyles of small indigenous peoples of the North in the Company's regions of operations. In accordance with the existing legislation, the Company provides annual support to the indigenous peoples and their associations in the oil production areas of Yamalo-Nenets Autonomous Area, Khanty-Mansiysk Autonomous Area, Krasnoyarsk Region, the Komi Republic, and Sakhalin.



SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

## Strategic Objectives Achieved in the Reporting Period

The 2006 Report outlined several mid-term objectives based on the Company's mission, strategies and key policies.

The table below shows the main achievements in meeting these objectives during the reporting period:

Target

2007 achievements

### Operations development

Oil production increase to at least 126 million tonnes per year by 2010, and at least 160 million tonnes per year by 2015.

Rosneft became the leading Russian oil producer, and the first domestic company to reach the 100 million tonnes per year milestone, in particular, due to its organic growth.

Increase in refining to 85-90 million tonnes by 2015, thus achieving a complete balance between production and refining operations.

The Company's overall refining capacity grew from 12 million tonnes to 52 million tonnes per year. Preparatory works for the construction of a new refinery on the Pacific coast were launched.

Increase in the Company's share of the domestic retail petroleum product market to 20% by 2015 due to expansion and upgrading of corporate refuelling station network.

The Company more than doubled its retail distribution network and launched a refuelling stations re-branding programme.

Intensification of research and development activities.

6 new R&D institutes were acquired by the Company. The number of R&D projects being implemented grew from 185 to 1150.

Entering new areas of business (petrochemical industry, electric power sector, etc.).

The Company acquired Angara Petrochemical Company and is preparing for entering motor oil retail market. Construction of a 500 MWt power plant in Krasnoyarsk Region has been successfully negotiated. The Company launched a programme to enter the market of bunkering services.

### Finance. Economy. Investments

Reaching and maintaining the lowest specific capital and operating expenditures among global leaders.

The Company holds leadership among Russian companies in terms of these indicators.

Accelerated upgrading of depreciated fixed capital stock.

The Company's capital expenditures almost doubled in a year, reaching USD 6,240 million.

Getting and maintaining an investment grade rating.

World's leading rating agencies raised the Company's credit ratings

Improvement of the financial management system.

A project to reduce the timeline for preparation of non-audited consolidated financial statements has been completed, allowing the Company to submit the statements on the 30th day upon completion of the respective period



## SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

### Corporate management and improvement of organisational structure

Improved informational transparency.

The Company's website was named best at the 9th Annual "Best Investor Information Disclosure on Issuer's Website" Competition organised by RTS Stock Exchange and the "Rynok Tsennykh Bumag" journal.

The Company was ranked among the top ten most transparent companies, according to the study of 80 Russian issuers in 2007 conducted by Standard & Poor's Corporate Governance Rating Service.

Transition to process/project management. Introduction of unified management information standards.

Creation of consolidated databases within the corporate information system SAP R/3. Installation of system workstations at 250 Company's enterprises.

Strengthening cooperation with municipal authorities in some regions of operations regarding socio-economic development on the basis of long-term programmes.

RN-Sakhalinmorneftegaz LLC and OJSC UdmurtNeft experience: see Stakeholder Engagement section.

### Personnel development and improved working conditions

Improvement of the performance-based motivation system.

LLC RN-Yuganskneftegas completed a pilot project on implementation of a grade-based organisational structure. The Company developed a new top management motivation system to be launched in 2008

Introduction of unified HRM standards in the Company's subsidiaries

Retirement System Standard and Personnel Evaluation Standard were introduced and started work in subsidiaries

Ensuring workplace health and safety

Expenditures on occupational health and safety grew 2.7 times in 2007.

Compared to 2006, overall workplace injury rate decreased by 24% reaching 0.26 incidents per 1 million working hours.



## SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

### Safety and Environment

Addressing issues built up over previous periods

In LLC RN-Yuganskneftegaz, a new integrated liquid and solid oil-sludge processing facility was installed with the capacity of up to 90 m<sup>3</sup>/day.

Rosneft and the World Bank signed Letter of Intent concerning an agreement on purchase, under the Kyoto Protocol, of emission reductions resulting from the associated petroleum gas utilisation project at the Komsomolsk oilfield by LLC RN-Purneftegaz

A gas-compressor station was commissioned by LLC RN-Yuganskneftegaz at the Priobskoe oilfield.

Rosneft and SIBUR started the implementation of a joint venture project aimed at processing and distribution of associated petroleum gas based on the facilities of OJSC Yuzhny Balyk Gas Processing Plant ( LLC RN-Yuganskneftegaz)

Upgrading of oil refineries and transition to production of Euro-4 and Euro-5 complaint fuel

At the Komsomolsk Refinery, diesel fuel hydrotreating equipment was commissioned; production of Euro-4 and Euro-5 compliant diesel fuel was launched.

At Syzran Refinery, a Euro-4 compliant process for producing gasoline and summer diesel fuel was introduced. Revamping of Komsomolsk and Tuapse refineries planned to complete by 2012 progresses according to the schedule.

### Community relations and investments in regional development

Increased awareness of the Company's operations in regions.

During preparation of the 2007 Report, roundtable meetings and presentations were organised in 17 regions of the Company's operations and gained extensive media coverage.

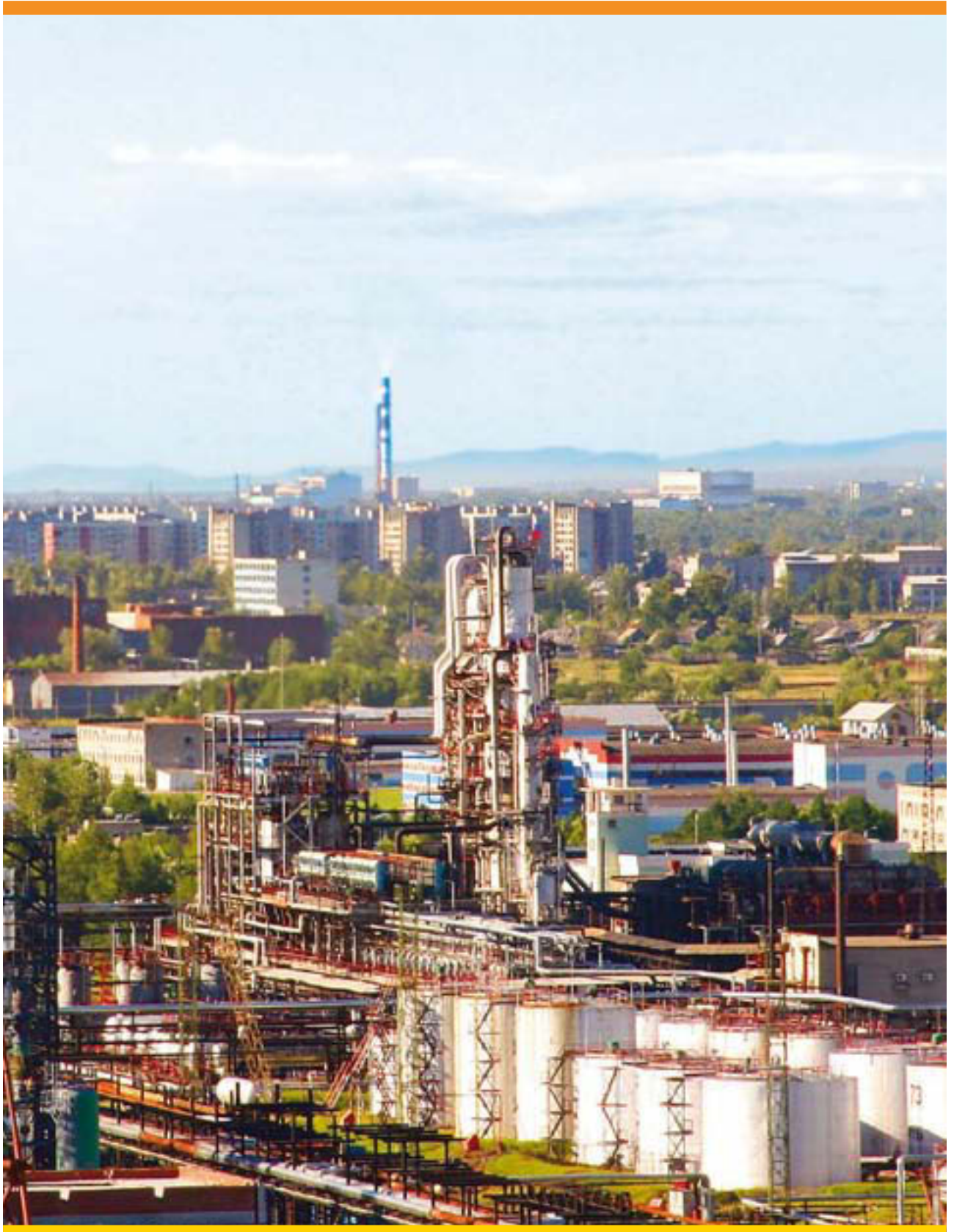
Strengthening cooperation with government authorities of regions of operations concerning socio-economic development on the basis of long-term programmes.

New social and economic cooperation agreements with regional authorities were signed. Under the signed agreements, RUR 2.9 billion was allocated for social development of the regions of Company's operations, which is 2.3 times more than in 2006. In 2007, RUR 860 million was spent on regional charitable projects with primary focus on education, culture, sports, healthcare, non-governmental organisations, and indigenous communities of the North.





SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES







## SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES

## Risks and Opportunities

Depending on the nature and extent of risks, the respective departments and units of both the Company's Central Management Office and its subsidiaries are involved in data acquisition and analysis concerning the factors that may adversely affect accomplishment of the Company's goals, identification of new risks and monitoring of the existing ones, risk prioritisation, and development of risk minimisation programmes. The Company's Risk Management Committee and the Audit Administration subordinate to the Board's Auditing Committee coordinate the evaluation, classification and minimisation of risks.

The risks listed below, along with the legal, financial and industrial risks, affect or may affect the Company's sustainability performance, particularly its long-term financial sustainability. Presented below is a brief evaluation of such risks for the current period and risk-minimisation opportunities employed by the Company. See Risk Factors section of the Company's 2007 Annual Report ([www.Rosneft.ru](http://www.Rosneft.ru)) for detailed risk listing and analysis.

### HR-related Risks and Opportunities

The demographic forecasts anticipate labour force shrinkage in Russia in the nearest future. This would increase labour costs and intensify competition between oil companies for attraction of skilled workforce. Low workforce mobility aggravates the issues of recruiting personnel for new oilfields. In addition, since the vocational education system has degraded greatly during the economic reform period in Russia, the Company faces growing difficulties in attracting qualified workers and junior managers.

In order to address these adverse trends, the Company works to offer more attractive salaries and better working conditions to its employees, develops priority social programmes

aimed at retaining the most valuable employees, improves the corporate training system, and cooperates with specialised education institutions to select the most capable young professional and improve their training level. See Employee Relations section below for details.

### Restructuring-related Risks and Opportunities

The Company restructuring efforts aimed at improving performance, as well as optimising staff and professional structure of its service divisions may potentially result in social conflicts.

In order to minimise such risks, the Company works together with labour unions representing the employees, and takes into account views of all stakeholders while selecting restructuring options most appropriate to local workforce markets.

### HSE-related Risks and Opportunities

The Company's core operations are associated with large-scale and diverse environmental impacts (see Major Sustainability Impacts sections). Exceedance of the allowable impact levels established by the regulatory authorities, or environmental pollution in the event of an accident may result in heavy penalties imposed on the Company and damage to its reputation.

In order to minimise such risks, the Company implements the Environmental, Gas, and Pipeline Reliability Improvement Programmes, introduces state-of-the-art and safer equipment, trains the staff and works out emergency response methods, processes oil sludges and oil polluted soils, and reclaims land upon completion of production operations. See Health, Safety and Environment sections for details.



SECTION 3: SUSTAINABILITY IMPACTS, ACHIEVEMENTS, RISKS AND OPPORTUNITIES





# 4

**CORPORATE GOVERNANCE,  
CORPORATE SOCIAL  
RESPONSIBILITY  
AND STAKEHOLDER  
ENGAGEMENT**



- Corporate Governance
- Sustainability and Corporate Social Responsibility
- Description of Stakeholders
- Stakeholder Engagement
- Stakeholder Engagement in the Course of Preparation of the Second Sustainability Report
- Participation in External Initiatives

The Company's corporate governance system includes the General Shareholders' Meeting of OJSC Rosneft, the Board of Directors and the Management Board, as well as executive management of the Company, its subsidiaries and dependent companies controlled or managed by the Company.





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CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

## Corporate Governance

The Company's corporate governance system includes the General Shareholders' Meeting of OJSC Rosneft, the Board of Directors and the Management Board, as well as executive management of the Company, its subsidiaries and dependent companies controlled or managed by the Company.

The Company's supreme governing body is the General Shareholders' Meeting that elects the Board of Directors. As of December 31st 2007, eight out of nine board members were non-executive directors, including three independent directors. Independent directors serve as chairs of standing committees appointed by the Board, including the Strategic Planning Committee, the HR and Remuneration Committee, and the Audit Committee. The sole executive authority of the Company is the President appointed by the General Shareholders' Meeting. The collegial executive authority of the Company is the Management Board appointed by the Board of Directors upon the nomination of the Company President, who serves as the Chairman of the Management Board. See the Company's website at <http://www.rosneft.ru> for information on the directors, the committees of the Board, and the Management Board, as well as their powers and responsibilities.

The Board of Directors is responsible for the overall direction and supervision of the Company's operations, except for the matters to be resolved by the General Shareholders' Meeting according to the existing Russian legislation and the Charter of OJSC Rosneft. The executive authorities, namely the Management Board and the President accountable to the Board and General Meeting of Shareholders, are responsible for the direction and supervision of current operations.

The information on the powers, procedures of appointment, responsibilities and roles of vari-

ous authorities within the corporate governance system is contained in the Rosneft's Charter, the Regulation on the General Shareholders' Meeting, Regulation on the Board of Directors, Regulation on the Management Board, Regulations on the President, and the Corporate Governance Code, all of which are available on the Rosneft website at <http://www.Rosneft.ru/Investors/information/charter/>.

Additionally, the following committees were created in order to develop proposals to the Management Board concerning specific areas of operations: the Budget Committee, the Pricing Committee, the Investment Committee, the Tender Committee, the Strategy Committee, and the Operations Monitoring and Analysis Committee. These committees comprise Management Board members, Company's top managers and employees.

The Vice-President for Corporate Social Responsibility is in charge of coordination of policies, programmes and business plans with regard to human resource management, operational and social spheres, and socio-economic development programmes (including charity) for the Company's areas of operations. Subordinate to the Vice-President are the HR Department, Social Development Office, Corporate Culture Office, Government Relationship Department, OJSC Rosneft Representative Offices, and Regional Managers Office.

The health, safety, and environmental aspects are the responsibility of the HSE Department subordinate to the Vice-President for Oil and Gas Production. In 2007, the Pipeline Operation Office was created within the Oil and Gas Production Department. The Pipeline Operation Office is in charge of the Pipeline Reliability Improvement Programme. The implementation of the programme expected to contribute materially to the reduction of the



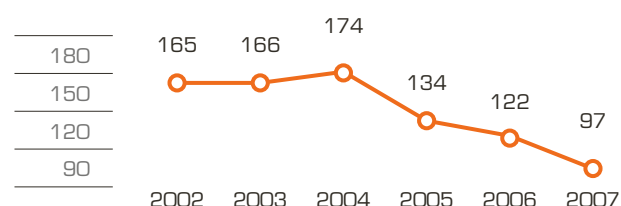


SECTION 4: CORPORATE GOVERNANCE,  
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Company's adverse environmental impacts is discussed in the HSE section of this Report.

Each Rosneft subsidiary has its own bodies responsible for the above sustainability aspects at the respective company level. The officers and specialists of the Company's headquarters work closely with such bodies to provide the required support and supervision of respective business plans and programmes. The objectives addressed by the corporate departments responsible for various sustainability aspects are described in detail in the Management of the Company's Sustainable Development Aspects section of the 2006 Report.

**Rosneft considerably reduces US GAAP statements assurance timing (days after the end of reporting year)**



### Improving the Corporate Information System

The corporate information system based on SAP R/3 plays an important role in increasing the management performance of the Company. In 2007, the new assets were integrated in the information system; a number of new consolidated databases were created, including ones for Company's fixed assets, construction in progress, intangible assets, exploration assets, and R&D activities. The corporate regulations database was expanded. Workstations of the information system were installed at more than 250 Rosneft's enterprises.

A significant step towards the improvement of corporate management was the reduction of financial reporting timeline. In 2007, the Company became the leader of the Russian oil and gas sector in terms of the report submission timing. The Rosneft auditor assured the Company's 2007 GAAP statements as early as in 97 days after the year end, on April 7, 2008. This was made possible by the implementation of the RosA project which, among other activities, included the introduction of new data acquisition and consolidation technologies across the subsidiaries.



SECTION 4: CORPORATE GOVERNANCE,  
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## Sustainability and Corporate Social Responsibility

Being one of the largest Russian companies, Rosneft not only strives for high operational and financial performance, but also wants to contribute to the development and prosperity of the country, and to the improvement of living conditions of its citizens.

The Company subscribes to the provisions of the Social Charter of Russian Business and believes that:

- any long-term economic and social achievements can be made possible only through maintaining the appropriate balance of interests of shareholders, the government, employees, suppliers, contractors, public institutions and other stakeholders;
- the utmost pre-requisite for economic and social well-being of the country is shared responsibility by the government, business and citizens based on the observance of civil rights and liberties, equal opportunities, respect for human dignity and the supremacy of law;
- reasonable, well-balanced and effective social responsibility of companies reduces business risks, strengthens competitiveness, enhances personnel performance and customer loyalty, and improves reputation of individual entrepreneurs, companies and the entire business community.

The Company plans to develop a uniform public sustainability and corporate social responsibility policy integrating all relevant aspects.

## Description of Stakeholders

Stakeholders are legal and natural persons that may be significantly affected by the Company's operations and may, in their turn, affect the Company's operations and implementation of its strategies.

### The key stakeholder groups include:

- the Company's employees and their associations (labour unions, employee councils, etc.);
- shareholders and investors;
- wholesale and retail consumers of oil and petroleum products;
- federal and local suppliers and service providers;
- government authorities and federal oil industry regulators;
- local authorities and local communities (general public, youth organisations, environmental organisations, other non-government organisations, the organisation of small indigenous peoples of the North) in the regions of Company's operations;
- educational institutions training workforce for the Company.

These groups were identified based on the Company's experience of stakeholder relations and evaluation of significance of their impacts on the current and prospective operations of the Company.



SECTION 4: CORPORATE GOVERNANCE,  
CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

## Stakeholder Engagement

### General Principles

The Company stakeholder engagement practices are based on the following general principles:

- building the relationships on the basis of recognised good business practices and ethical approaches;

ies, and the employee representatives: employee councils and labour unions. Mutual obligations of the Company's subsidiaries and their employees are laid out in the collective agreements covering 89% of the Company employees. In most subsidiaries, employee interests are represented by labour union committees. The Company creates conditions for union activities in its enterprises as required by the existing legislation.



- taking into account each other's interests and respecting each other;
- disclosure of information on the Company's operations to stakeholders on a timely basis.

### Employees

The relations between the Company and its employees are based on social partnership (the concept of which is outlined on pp. 135-142, of the 2006 Report), the parties to which include the management of the Company and its subsidiar-

The relations with employee associations are complemented by the development of the corporate communication system. The employees are informed about any aspects of the Company's operations that may affect their interests through an intranet portal, corporate media and regular meetings with the management. Personnel expectations and opinions regarding their work are studied via regular surveys. The detailed results of the 2006 survey are presented in the 2006 Report (pp.139, 143, 144), and a new survey will be organised in 2008 to cover, among others, the employees of the assets acquired in 2007.



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## Shareholders and Investors

Ongoing shareholder and investor relations are handled by the Investor Relations Office of the Asset Management, Economics, and Business Planning Department, as well as the Shareholder Relations Office of the Property and Corporate Governance Department. Regular meetings with the Company's top management and teleconferences are organised for representatives of the investor community. Major corpo-

The following achievements for the reporting year prove high transparency of the Company:

- winning the Best Investor Information Disclosure on Issuer's Website award of the 9th Annual Report and Corporate Website Competition organised by RTS Stock Exchange and the "Rynok Tsennykh Bumag" journal;
- ranking among the top ten most transparent companies, according to the study of 80



rate events are also communicated to them through press releases.

The disclosure of the Company information is regulated by the Corporate Governance Code and corporate Regulation on Information Policy. It also complies with the requirements of the existing legislation, domestic and foreign equity market regulators, and stock exchanges trading Company's shares. Rosneft provides access to the disclosed information for all persons interested regardless of their purposes through a procedure ensuring identification and receipt of any such information.

Russian issuers conducted by Standard & Poor's in 2007.

The first post-IPO General Shareholder's Meeting was held on June 30th, 2007. Following its results, a number of consultations with minority shareholders to discuss the most important issues were scheduled.

On November 22nd, 2007, the Shareholder Relations Office conducted the first meeting with individuals shareholders dedicated to general principles of dividend declaration and pay-





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ment at joint-stock companies, as well as the dividend history of Rosneft.

At several meetings scheduled for 2008, the Company plans to cover a number of issues related to the registrar and nominee holders, information disclosure policy, shareholders' rights, and other issues of interest to minority shareholders.

In 2007, serving the interests of its shareholders, Rosneft implemented a number of meas-

ures allowing to decrease depository service rates for individuals, as well as cancel fees for stock registration services, and depository-to-register and vice versa transfers of shares .

satisfaction are in the focus of attention of marketing divisions of the Company and its marketing subsidiaries. The marketing subsidiaries evaluate their quality of service through customer polls and "mystery consumer" audits, using the results to improve their performance. Most refuelling stations have free access books of proposals, while round-the-clock hotlines offer customers an opportunity to voice their proposals and/or



ures allowing to decrease depository service rates for individuals, as well as cancel fees for stock registration services, and depository-to-register and vice versa transfers of shares .

### Customers

Major domestic customers of Company's petroleum products include federal and regional authorities, independent refuelling station networks, as well as businesses and individuals in the regions covered by the Company's marketing operations. The quality of services and customer

complaints. Due to the acquisition of new assets in 2007, the Company launched a new motor oil production and marketing business and initiated a tender to organise a dealer network.

### Suppliers

The Company makes every effort to establish transparent supplier relations based on the fair competition principles. The supply agreements are concluded on the basis of open tendering. The key relevant factors include the products





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quality, pricing, and timely delivery. *Ceteris paribus*, the preference is given to Russian suppliers, and a considerable part of goods and services is purchased from local suppliers in the regions of the Company's operations (see Economic Impacts section for more details). The Company seeks to facilitate the development of suppliers' businesses via long-term agreements involving transparent pricing policies and flexible terms of payment.

### **Government Authorities and Federal Organisations**

Representation of government's interests regarding the Company, as well as Company's interests regarding the government authorities is ensured by the governmental representatives in the Board of Directors.

The Company's specialists, like representatives of other major oil companies, participate in discussion and assessment of draft regulatory proposals prepared by Russian executive authorities with regard to the oil industry.

### **Education Institutions Training Workforce for the Company**

The relations with education institutions of all levels are discussed in the Support of Education section below and on pp. 169-176 of the 2006 Report.

### **Local Authorities and Communities in the Company's Regions of Operations**

The Company has production operations in most Russian regions, from the North-West through the South and the Far East. Thus, effective cooperation with local authorities and local communities in the regions of operations is vitally important for sustainability and implementation of the Company's development strategies.

The Company uses social and economic development agreements as the main tool of building relations with regional authorities. These agreements set forth mutual obligations of the Company and the respective region with regard to the development of social and economic infrastructure. Typical forms of relations with the governments and authorities of the areas of operations include:

- meetings of the Company's top management with the governors and/or other top regional officials in the key regions of operations;
- routine contacts of subsidiaries management with regional and municipal executive authorities;
- in the municipalities where Company's subsidiaries play the role of local economic mainstays, their employees usually participate in local authorities.

Since 2007, preparation of the Company's sustainability reports involves annual roundtable meetings in the key regions of operations. During such meetings, top management of Rosneft and respective subsidiaries, as well as significant stakeholders including representatives of regional and/or local authorities, supervisory bodies, education institutions and non-governmental organisations are discussing outcomes and prospects of the Company's regional operations, and its contribution to addressing regional and local issues. In 2007, 8 roundtable meetings were organised, with their results presented in the 2006 Report (see pp. 69-73). In the process of preparing this Report, similar roundtable meetings were organised in 17 Company's regions of operations.



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## Stakeholder Engagement in the Course of Preparation of the Second Sustainability Report

The preparation of this report involved the following roundtable meetings:

Location	Company's subsidiary in the region	First/Second Roundtable
Archangelsk	LLC RN-Archangelsknefteproduct	Second
Yuzhno-Sakhalinsk	LLC RN-Sakhalinmorneftegaz	Second
Khabarovsk	LLC RN-Vostoknefteproduct	First
Tuapse	LLC RN-Tuapse Refinery, LLC RN-Tuapsenefteproduct	Second
Komsomolsk-on-Amur	LLC RN-Komsomolsk Refinery	Second
Angarsk	OJSC Angarsk Petrochemical Company, OJSC Angarsk Polymer Plant, CJSC Irkutsknefteproduct, LLC Irkutsk-Terminal	First
Krasnodar	LLC RN-Krasnodarneftegaz LLC RN-Kubannefteproduct	Second
Achinsk	OJSC Ahinsk Refinery VNH	First
Barnaul	OJSC Rosneft-Altaynefteproduct	First
Sykt'yvkar	LLC RN-Severnaya Neft OJSC Polyarnoe Siyanie Company	Second <sup>3</sup>
Smolensk	LLC NH Rosneft-Smolensknefteproduct	First
Stavropol	LLC RN-Stavropolneftegaz, OJSC Rosneft-Stavroploie	First
Samara	OJSC Samaraneftegaz, OJSC Kuibyshev Refinery, LLC Samaranefteproduct, OJSC Syzran Refinery, LLC Samara-Terminal	First
Nefteyugansk	LLC RN-Yuganskneftegaz	Second
Novokuibyshevsk	Novokuibyshevsk Refinery, Novokuibyshevsk Oils and Additives Plant	First
Izhevsk	OJSC Udmurtneft	First
Gubkinsky	LLC RN-Purneftegaz	Second

<sup>3</sup>In 2007, a roundtable meeting dedicated to the operations of LLC RN-Severnaya Neft and OJSC Polyarnoe Siyanie Company was organised in Usinsk





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The participants of the current and the previous roundtable series appreciated regular meetings as an important event both to the Company and local communities, and expressed their interest in organising such meetings in the future. The chosen format enables the Company to inform stakeholders about its current operations and plans, and creates favourable conditions for developing a coordinated position with regard to the issues sensitive for the Company, subsidiaries, and local communities.

External participants of the roundtable meetings particularly mentioned the Company's considerable contribution to the social and economic development of the areas of operations, beautification of towns, support of education and healthcare institutions, as well as traditional lifestyles of indigenous communities, especially where the Company's businesses play the role of local economic mainstays.





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The table below summarises participants' proposals for further cooperation and the issues in which they expect support from the Company:

Issue/proposal	Raised in series	
	2007	2008
Increased exploration of "old" oilfields to prevent the decrease in oil production		+
Cooperation agreements between the Company and regional authorities do not incorporate interests of municipalities to a sufficient extent. Municipal authorities suggest returning to the trilateral cooperation agreement format (Company–region–municipality) which would help address interests of specific localities of operations where Company's employees and their families live.	+	+
In the opinion of regional and municipal authorities, the effectiveness of the Company's investments in social infrastructure would increase if these investments were made within the framework of integrated regional development programmes.	+	+
The Company and its subsidiaries should more actively participate in the preparation of development strategies for their regions of operations.		
The effectiveness of non-systematic charity aid to specific beneficiaries is limited. The results would be better if charitable support were provided on a programmatic and long-term basis.	+	+
To make social and charitable aid more systematic, it is recommended to establish local community funds.		+
The potential of higher education institutions in the regions of operations is underused. The universities are ready to participate in training and re-training of personnel for the Company and its subsidiaries, to be contracted for research and development activities.	+	+
The potential of vocational education institutions for training quality workers for the Company's subsidiaries is underused, the current level of cooperation is very low.	+	+
The Company's subsidiaries should broaden contracting opportunities for local small businesses, including oil-sludge processing, distribution of bitumen and organisation of new production facilities using products of Company's refining and petrochemical enterprises as raw materials.		+
Use of available capacity of the subsidiaries for processing oil-contaminated wastes generated by other regional enterprises.	+	+
The oil refineries were asked to integrate all their monitoring posts and laboratories into municipal environmental monitoring systems. While such municipal systems are in place in the respective towns, their equipment is usually worse than one used by the refineries.		+
Lack of voluntary environmental initiatives, which would promote the reputation of an environmentally responsible Company.	+	+





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Issue/proposal	Raised in series	
	2007	2008
In oil production businesses in the Southern Russia (Krasnodar and Stavropol Regions), the wages are way below the average industry level. This results in the lack of workforce due to migration of skilled oil workers to northern regions.	+	+
Lower wages of service personnel compared to the ones at the oil production enterprises served by them.		+
Concerns of subsidiaries' employees regarding potential separation of healthcare and recreational facilities currently owned by these subsidiaries in the course of restructuring. This may result in increased price of services and reduced quality of such services.		+
Involvement of the Company and its subsidiaries into construction of housing for their employees. For example, this may be organised as participation in the municipal "Affordable Housing" programmes, with municipal authorities partially compensating construction expenses.		+

### Company's Response to the Issues Raised at Roundtable Meetings

Many concerns and proposals voiced during the last year roundtable series were reiterated this year in the subsidiaries where such events were organised for the first time, which demonstrates the systemic nature of such problems. The incorporation of the above issues in the Company's regional strategy will become an important future sustainability factor. The problems revealed during the second roundtable series are mostly associated with subsidiaries restructuring and call for increased efforts to find a balance between the business performance and employees' interests.

*Some issues raised during the first roundtable series have been resolved or a progress in addressing them has been made:*

- At the second roundtable meeting in LLC RN-Sakhalinmorneftegaz it was noted that an important result of the previous meeting was the transition from occasional social investments to a programmatic approach based on agreements with respective authorities. This results in the increased effectiveness of social investments.
- At the Krasnodar 2007 roundtable meeting, a representative of the regional energy department requested the Company's help in identifying inactive and "abandoned" wells in Krasnodar region. After the meeting, LLC RN-Krasnodarneftegaz, a Company's subsidiary, produced a list of its wells and delivered it to the energy department.
- At the same meeting, the Company was also asked to help mitigate the lack of electric power in Krasnodar Region via construction of corporate generating facilities. In late January, 2008, Sergey Bogdanchikov, the Company President, and Alexander Tkachev, the Governor of Krasnodar Region, reached a preliminary agreement on construction of a 500 MWt power plant in Krymsk District by Rosneft. This project will help address the issue of insufficient generating capacities in the south-western part of Krasnodar Region.
- At the first Negteyugansk roundtable meeting, the local community was concerned about frequent ruptures in the field pipelines owned by LLC RN-Yuganskneftegaz and resulting land contamination. However, it was admitted that the present man-



SECTION 4: CORPORATE GOVERNANCE,  
CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

agement was not to blame for this situation, which resulted from underinvestment by the previous management. At the second roundtable meeting organised in 2008, a large-scale environmental programme for the period until 2012 was announced. The programme includes polluted land reclamation, oil-sludge and drilling mud processing, environmental monitoring, improvement of oilfield equipment reliability, and major overhaul of pipelines.

- OJSC UdmurtNeft already implemented a programmatic approach toward social investments incorporating them into socio-economic development programmes of the respective authorities. For several years the company has participated in the targeted programme of the Udmurt Ministry for Science and Education aimed at serving remote villages having no schools with school buses. The company and the Ministry join their resources on an annual



- At the Usinsk 2007 roundtable meetings, the need for a cooperation agreement between the Company and the Komi Republic, an area of oil production operations of LLC RN-Severnaya Neft and OJSC Polyarnoe Siyanie Company, was discussed. In late 2007, Sergey Bogdanchikov, the Company President, and Vladimir Torlopov, the Head of the Komi Republic, signed a cooperation agreement between the Company and the region.

*The roundtables organised in 2008 showed that some subsidiaries had acquired a rich experience of cooperation with local and regional authorities, which may prove useful in other regions as well:*

- The corporate mortgage programme of LLC RN-Yuganskneftegaz is in fact based on the municipal/private partnership involving Nefteyugansk municipal authorities, LLC RN-Yuganskneftegaz, its employees, and the Russian Bank for Reconstruction and Development. The subsidiary employs a participatory scheme for financing housing construction, while the local authorities oversee the contractors' operations and their pricing policies, which, together with mortgage programme, makes housing really affordable.



SECTION 4: CORPORATE GOVERNANCE,  
CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

The Company expects to broaden the forms of interaction with local communities by organising polls, focus group meeting, in-depth interviews with stakeholder representatives, etc. See the Company's official website at <http://www.Rosneft.ru/Social/> for the roundtable meeting reports.

### Information Policy

The Company views the informational transparency as an important factor of stakeholder engagement and does every effort to provide timely comprehensive information to them.

Rosneft website is maintained in Russian and English, and its content is structured in accordance with potential stakeholders' enquiries.

The Company publishes a corporate newspaper, "Neftyanoi Kurier" [The Oil Courier]; the top management is regularly interviewed by federal and local media. Many subsidiaries support their own corporate media. The subsidiaries on Sakhalin, in Nefteyugansk, Usinsk and Komsomolsk-on-Amur inform their employees and the general public about their operations through the local radio and TV programmes. "Aktioner" [The Shareholder] newspaper specifically targets minority shareholders.

## Participation in External Initiatives

In its operations, the Company adheres to the principles of business conduct set forth by international organisations, including:

- United Nations (the Universal Declaration on Human Rights)
- International Labour Organisation (the Declaration on Fundamental Principles and Rights at Work and conventions ratified by the Russian Federation)
- Organisation for Economic Cooperation and Development (the OECD Guidelines for Multinational Enterprises)

The Company participates in the following organisations and associations:

- Russian National Committee for World Oil Congresses.
- The Company has been a member of the Russian National Committee for World Oil Congresses since 1998;

- Russian Union of Oil and Gas Producers.
- The Company has been a founding member of Russian Union of Oil and Gas Producers since 1992;
- the Board of Trustees of I.M. Gubkin Russian State University of Oil and Gas;
- The Company has been a founding member of the Board of Trustees of I.M. Gubkin Russian State University of Oil and Gas since 1992.
- Russian Chamber of Commerce and Industry.
- The Company has been a member of Russian Chamber of Commerce and Industry since 2003.
- Russo-Canadian Business Council.
- The Company has been a founding member of Russo-Canadian Business Council since 2005.



# 5

**ECONOMIC  
IMPACTS**



- The Scale of the Company's Business
- Approaches to Increasing the Company's Value
- Generated and Distributed Economic Value
- The Company's Economic and Social Impacts in its Regions of Operations

The strategic goal of the Company is to become the leading oil and gas company in Russia showing the best operational and financial performance within the industry, as well as to become one of the world's largest energy corporations.





SECTION 5: ECONOMIC IMPACTS

## The Scale of the Company's Business

The strategic goal of the Company is to become the leading oil and gas company in Russia showing the best operational and financial performance within the industry, as well as to become one of the world's largest energy corporations.

In 2007, Rosneft made significant progress in achieving this goal becoming the leading Rus-

sian company in terms of oil production (101 million tonnes). In 2007, the Company accounted for more than 20% of the overall oil production in Russia, while two years ago its share was less than 16%. It is important that this growth was achieved not only through new acquisitions, but also through a considerable increase in oil production at the existing Company's assets.

## Approaches to Increasing the Company's Value

The Company works to increase its value by the following means:

- increasing the hydrocarbon reserves and maintaining a high replacement rate of proved reserves through large-scale exploration activities, obtaining licenses for new fields, and acquisition of new assets;
- maintaining a balance between producing oilfields, fields being developed, and exploration activities;
- creating partnerships with the world's leading oil and gas companies for implementing capital intensive, complex and risky projects (Sakhalin projects, etc.)
- increasing oil and gas production, while taking advantage of favourable market conditions;
- increasing amount and depth of oil refining;
- building longer value chains by entering petrochemical industry, power industry, and retail markets of petroleum products;
- maintaining low specific operational and administrative costs;
- improving operational efficiency through the improvement of business processes, introduction of state-of-the-art technologies for oil and gas exploration, production and refining, as well as use of information technologies and computer modelling of oilfields;
- distributing funds based on balanced consideration of interests of all stakeholders directly contributing to the Company's activities or affecting the Company's operations and development .

A detailed analysis of Rosneft's operational and financial performance in 2005–2007 demonstrating the increase in the Company's value is presented in the documents "Management Analysis of the Financial Conditions and Performance of the Company During the Years Ending on December 31st, 2007, 2006 and 2005" and 2007 Rosneft Annual Report available on the web site <http://www.rosneft.ru>.



SECTION 5: ECONOMIC IMPACTS

## Investments in Operations and Distributing Value among the Stakeholders

In 2007, the Company increased funding of all key sustainability-related areas of activity, including new assets acquisition, new fields development and facility reconstruction; wages and personnel development; health, safety and the environment; social programmes in the regions of operations. The Company also considerably increased its tax payments and dividends to shareholders.

### *Investments in the Development of Operations*

In 2007, the Company's capital expenditures more than doubled as a result of investments in exploration activities, and oil and gas production. Investments in the oil and gas fields of LLC RN-Yuganskneftegaz, development of Vankor oilfield, as well as purchasing new assets (Samaraneftegaz, Tomskneft) account for a considerable share of the capital expenditures. Capital expenditures on the refining business increased mainly due to the investments in the new plants, acquired in 2007.

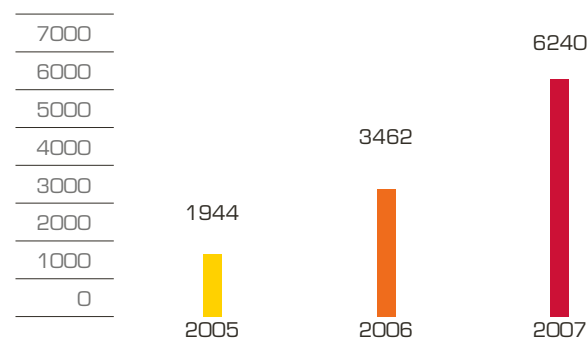
The investments to the refining facilities increased mostly due to the investments to the new plants, acquired in 2007.

### *Investments in Personnel, Health, Safety, and the Environment.*

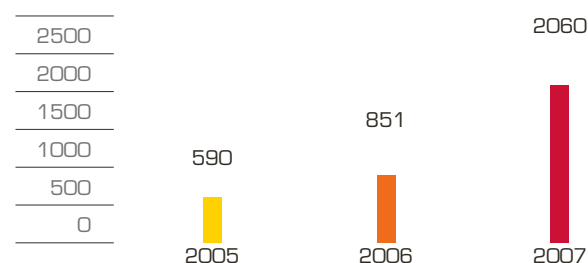
The increase in total wages, benefits, and occupational health and safety expenses was mostly caused by substantial increase in the workforce as a result the new assets acquisition, but the growth of average wages at each facility also made its contribution.

The increase in the industrial safety and environmental expenses is associated with both the expansion of the Company's business and better funding of activities in these areas.

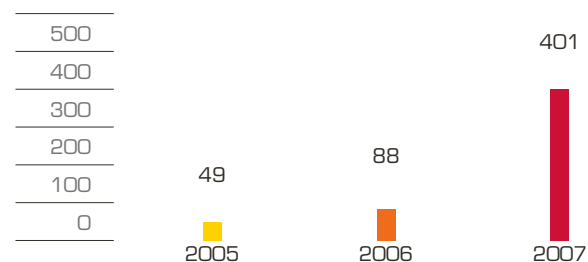
## Rosneft's capital expenditures in 2005-2007 mln USD



## Wage expenditures in 2005-2007 (RAS), mln USD



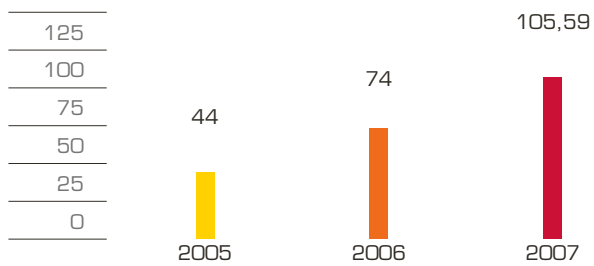
## Personnel benefits, mln USD



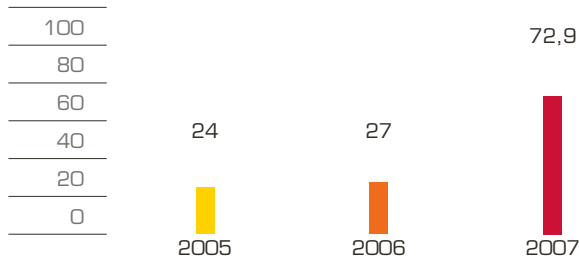


SECTION 5: ECONOMIC IMPACTS

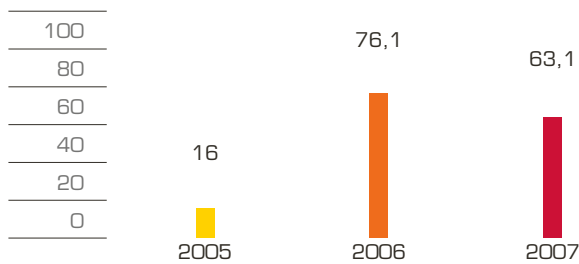
**Environmental protection expenditures in 2005-2007, mln USD**



**Health and safety expenditures in 2005-2007, mln USD**



**Company's payments to Neftegarant pension fund, mln USD**



The Company gradually introduces new occupational pension scheme, under which significant part of pension savings will be funded by employee payments. At present the overwhelming part of the pensions paid to the Company's veterans is funded by the Company's payments to Neftegarant occupational pension fund. These payments are insignificant compared to the other expenses and revenue of the Company, and do not pose a threat to its financial sustainability.

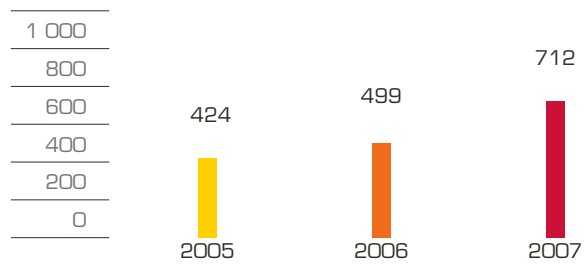
***Payments to the Government and the Shareholders***

Despite its extensive development programme and existing debts, the Company has gradually increased dividends paid to shareholders. Primarily, this meets the interests of numerous individuals shareholders who purchased the Company's shares during the last year's "popular IPO".

In 2007 the Company was granted the following tax benefits by the Russian authorities:

- The tax and penalty arrears of LLC RN-Yuganskneftegaz amounting to a total of \$2,336 million, which accrued under the former owner of the company, were restructured.

**Dividends in 2005-2007, mln USD**



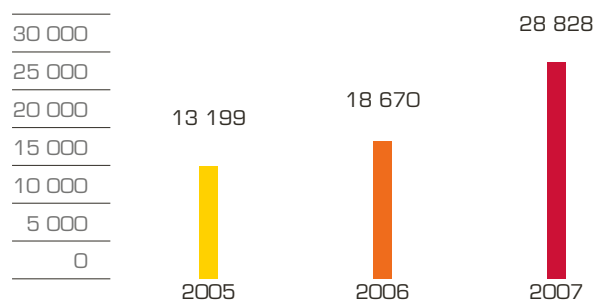


## SECTION 5: ECONOMIC IMPACTS

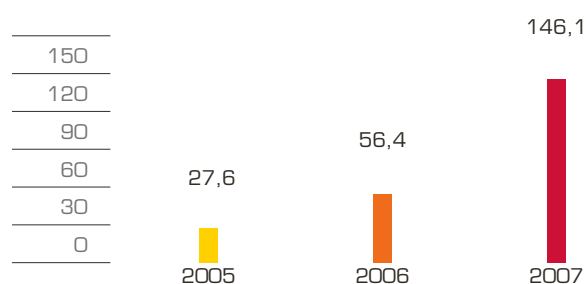
They will be paid by the Company on a quarterly basis for 5 years starting from March, 2008.

- The Company and its subsidiaries have been granted a profit tax benefit, which amounted to \$135 million in 2007. This benefit, concerning the part of the tax paid to certain regional budgets, was granted to the Company in accordance with the existing legislation as a reward for its active investment policy in these regions. This amount is rather insignificant compared to the total amount of the taxes to the budgets of all levels which exceeded \$28 billion in 2007<sup>4</sup>

#### Company's tax payments to the budgets of all levels in 2005-2007, mln USD



#### Expenditures on social and charitable programmes in 2005-2007, mln USD

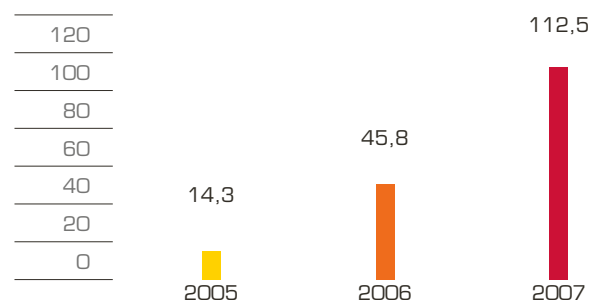


#### Social Investments and Charity

Investments in the infrastructure and social facilities of the Company's regions of operations is an important factor of creating favourable environment for Rosneft operations and improving living conditions of the population including Company's employees and their family members.

In addition, the Company and its subsidiaries participate in large-scale social and charitable programmes in their regions. The respective expenditures are presented in the chart.

#### Expenditures under cooperation agreements with regional authorities in 2005-2007 mln USD



<sup>4</sup>The total amount of taxes and payments to budgets of all level according to the Company's statements under US GAAP. According to the existing Russian regulations, part of the amount is to be paid by the Company and its subsidiaries in 2007, with the remaining part to be paid in the first half of 2008.



SECTION 5: ECONOMIC IMPACTS

## Generated and Distributed Economic Value

The growth of the economic value indicator EC1 (as defined by the G3 Guidelines) proves sustainability of the Company's development. The economic value generated and

distributed (mln \$) calculated based on the Company's consolidated GAAP statements is presented in the chart.

### Distributed economic value movement, mln USD

	2005	2006	2007
Direct economic value generated			
a) Revenue	23 918	33 174	58 358
Economic value distributed			
b) Operating costs	6 222	8 496	12 704
c) Employee wages and benefits	529	869	1 869
d) Payments to providers of capital	836	1 148	1 969
e) Payments to government	13 199	18 670	28 828
f) Community investments	91	105	172
Economic value retained	3 041	3 886	12 816

## The Company's Economic and Social Impacts in its Regions of Operations

The Company and its subsidiaries (especially those in oil and gas production) have a considerable impact on the socio-economic conditions of their regions of operations.

This impact includes both direct and indirect effects. Direct effects are characterised by the scale of monetary flows from the Company to various stakeholders including the personnel,

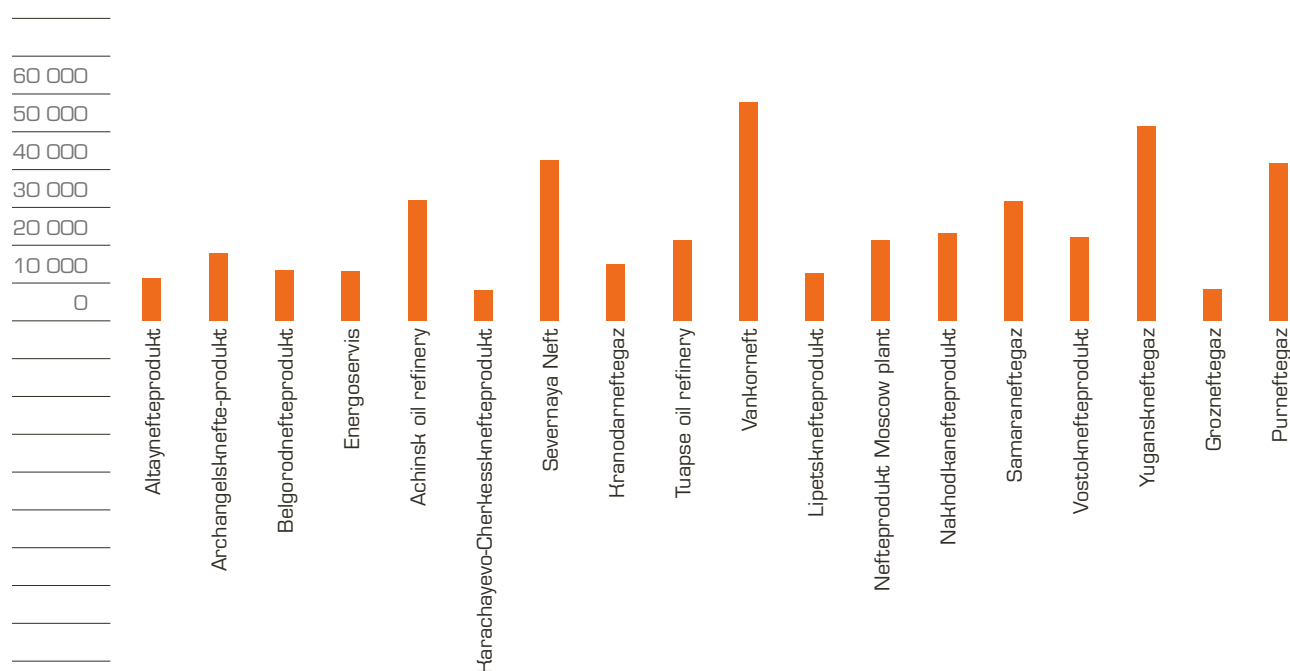
tax authorities of the Russian Federation, local goods and service suppliers, etc. The Company considerably affects regional employment by creating workplaces with average wage level usually exceeding the average (and, of course the minimum) wages in the respective region.





SECTION 5: ECONOMIC IMPACTS

### Average salary paid by the Company's subsidiaries, RUR



### Ratio of average salaries paid by Rosneft's subsidiaries to average salaries of key regions of operation

Region	The ratio of the average salary within the subsidiary to the average salary within the region (based on the data from the State Committee on Statistics)	The number of annual average living wages to form the average salary within the subsidiary
Altai region	1,3	2,3
Archangelsk region	1,2	3,9
Belgorod region	1,3	4,2
Volgograd region	1,3	3,6
Krasnoyarsk region	2,0	7,9
Harachayevo-Cherkess Republic	1,1	2,8
Komi Republic	2,5	8,5
Krasnodar region	1,5	4,0
Krasnodar region	2,0	5,5
Красноярский край	3,8	14,5
Lipetsk region	1,1	3,9



## SECTION 5: ECONOMIC IMPACTS

Region	The ratio of the average salary within the subsidiary to the average salary within the region (based on the data from the State Committee on Statistics)	The number of annual average living wages to form the average salary within the subsidiary
Moscow	0,9	3,6
Primorye	1,8	4,8
Samara region	2,7	7,7
Khabarovsk region	1,4	4,1
Khanty-Mansi autonomy	1,6	8,4
Chechnya	1,4	4,2
Yamalo-Nenets autonomy	1,1	6,5

The Company's subsidiaries tend to employ local residents, so that even the majority of their top managers (including CEOs and their deputies) are the locals.

The taxes paid to the budgets of all levels are an important example of direct interaction between the Company and the government. In most regions of operations, the Company's production and refining subsidiaries rank among the largest taxpayers. The Company tax policy is aimed at contributing to the revenues of regional budgets. In some cases the Company even organises regional representative offices paying taxes to the respective regional budgets in accordance with the existing legislation.

At the regional level Rosneft often supplies energy resources to both business and households. The Company seeks to improve living conditions of the population by investing in the housing utilities sector, road construction, power supply facilities, and social facilities.

The Company's centralised procurement system gives preference to Russian suppliers over foreign ones, *ceteris paribus*. Being a large client and selecting suppliers via open tendering, the Company often es-

tablishes stringent technical requirements for the products, which the supplier has to comply with. Thus, the Company and its subsidiaries facilitate the improvement of suppliers' technology and development of their businesses. The details of the Company's supplier relations are described in the 2006 Report, pp. 97-107.

The indirect effects are associated with changes in a wider socio-economic environment of the Company, not directly influenced by its activities, but resulting from direct impacts discussed above. The Company's subsidiaries prefer to deal with local providers of the goods and services not covered by centralised procurement procedures. Placing their orders with these suppliers, the subsidiaries contribute to the development of local SMEs. In its turn, this creates various opportunities for job creation; regional economic development; increased tax revenues due to the growth of the existing supplier businesses and attracting subcontractors to the region; as well as the emergence of new businesses necessary for further development of Rosneft. Thus, local procurement contributes to the development of local businesses, manufacturing, and services. As a result of increased tax revenues and Company's social investments, federal and local authorities gain more oppor-



SECTION 5: ECONOMIC IMPACTS

tunities to develop social sector and provide support to local communities. All these processes result in a general improvement of the quality of living of local population due to better access to housing and housing utilities, health care and education, as well as cultural and sport institutions, which finally leads to the improvement of the regional demography.

A typical example of indirect economic impact is the influence of Achinsk Refinery on the development of Bolsheuluy District of Krasnoyarsk region. Other examples of direct and indirect impacts of the Company on the socio-economic development of the regions are presented in the 2006 Report (<http://www.rosneft.ru/Social/>).



### The influence of Achinsk Refinery on the socio-economic development of Bolsheuluy District of Krasnoyarsk region

*Achinsk Refinery is the local economic mainstay of Bolsheuluy District of Krasnoyarsk Region, being a major employer and providing the largest part of the district's tax revenue. The main objective of the district authorities is effective management of these funds. First of all, the money is spent on the priority national projects and local social programmes. University students living in the district enjoy 50% discount for the return trips to Achinsk and Krasnoyarsk. The authorities provide incentives to the students acquiring professional skills of importance to the district. In particular, they fund quotas for local school graduates in universities. Pensioners living in the district receive extra payments in addition to the governmental pensions. The authorities also maintain a programme to support personal subsidiary farming in the district, which facilitates, in particular, development of dairy husbandry by providing subsidies for kettle-breeding. Achinsk Refinery supplies local agricultural machinery with high-quality fuel thus increasing its service life. The ongoing reconstruction of the refinery will finally result in increased tax revenue of the district due to improved financial performance of the facility. In the context of the partnership, the local authorities offered the refinery land plots for constructing housing for employees, and are ready to refund a part of the construction cost.*



# 6

## CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY



- The Company's Policy on Customer Relations and Product Responsibility
- Expansion of Retail Network and Customer Attraction Activities

The Company has developed an integrated strategy covering hydrocarbon production, transportation, refining and marketing.





## SECTION 6: CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY

## The Company's Policy on Customer Relations and Product Responsibility

The Company has developed an integrated strategy covering hydrocarbon production, transportation, refining and marketing. The product markets and the Company's marketing network are described in the 2006 Report (<http://www.rosneft.ru/Social/>). After acquisition of five new refineries in 2007, almost all oil produced by Rosneft for the domestic market is being refined by the Company itself. As one of the largest Russian suppliers of oil and petroleum products to the international market, and a leading supplier to the domestic market, the Company realises the responsibility for fulfilling its obligations to consumers regarding the assortment, timely delivery, quality, and safety of its products, as well as the quality and safety of services in its own retail refuelling network and ship bunkering operations.

In fact, the Company uses an "end-to-end" quality system that starts at an Refinery and ends with the delivery of petroleum products to end consumers. This system is based on the Corporate Policy # 4-PO4 On Uniformity of Measurements and Quality Control, aimed at ensuring product safety and quality control at all stages of production and marketing (oil production, preparation, refining, distribution, customer relations).

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The Company manages safety of its products and services to end customers with-

in the framework of integrated HSE management systems. At older marketing subsidiaries these systems have been already certified under ISO 14001 and OHSAS 18001 standards, while similar systems at newly acquired assets are being prepared for the certification. To improve the quality of its services, the Company and its marketing subsidiaries carry out surveys of customer satisfaction with the quality of service, introduce new modes of servicing and service payment, and offer new services (smart cards for service payment, systems facilitations customer loyalty, stores at refuelling stations, minor repairs, inflating of tires, etc.)

### Health and Safety Impact Assessment of Petroleum Products and Their Marketing

An important factor of improving quality of petroleum products, which positively affects customer health and safety, is the modernisation of the Company's oil refineries and transition to producing gasoline and diesel fuel compliant with Euro-3, 4, and 5 standards. In 2007, Homsomolsk Refinery commissioned a diesel fuel hydrotreating unit, which enabled the plant to produce Euro-4 and Euro-5 compliant diesel fuel. By 2012, it is planned to complete the reconstruction of the refinery, which will allow to produce Euro-3 and Euro-4 compliant gasoline. As a result of the large-scale reconstruction of the Tuapse Refinery, which is planned to be completed by 2011-2012, the refinery will produce Euro-4 and Euro-5 compliant petroleum products. Syzran Refinery, acquired in 2007, has already introduced a new process for producing Euro-4 compliant gasoline and summer diesel fuel. Achinsk Refinery and Angarsk Petrochemical Company are now capable of producing Euro-



## SECTION 6: CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY

3 compliant fuel. Currently the Company is developing an integrated strategy for the reconstruction of all its refining facilities and, as a result, in the near future all the Company's refineries will switch to the production of fuel with better environmental performance. This will allow to increase the share of high-octane gasoline in the total output. Due to the reduction of hazardous substances content (sulphur compounds, benzene, and aromatic hydrocarbons), the quality and environmental performance of gasoline will improve.

To increase the safety of petroleum products at the stage of storage, distribution, and supply, refuelling stations are equipped with state-of-the-art fuel-filling columns, which automatically stop filling when a gasoline tank is full, or in case of an accident, e.g. break in a fuel discharge hose. Facilities where the risk of explosion is present, including refuelling stations, are provided with necessary fire-fighting equipment. Vehicles at refuelling stations are fuelled by personnel specially trained by the Company, which improves the safety of the fuelling procedure.





## SECTION 6: CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY

## Expansion of Retail Network and Customer Attraction Activities

As a result of asset acquisition in 2007, the Company formed a large-scale distribution network covering a large part of the Russian Federation. Company's marketing subsidiar-

ies are involved in wholesale and retail sales of petroleum products. In some cases they carry out important social functions by supplying remote areas with quality fuel, and pro-



### Operations of LLC RN-Vostoknefteproduct on Sakhalin Island

LLC RN-Vostoknefteproduct Ltd, a Rosneft subsidiary, maintains a leading position as a petroleum products supplier on Sakhalin. That makes the company's operations socially significant. A well-defined logistics scheme ensures continuous fuel supply of the island by tanker fleet from the city of Nakhodka, taking into account all possible risks of delivery, including bad weather conditions. The company concluded agreements with several shipping companies, which provide, in particular, for availability of a backup tanker. On Sakhalin Island the company improves the chain of petroleum storage depots and expands tank farms of refuelling stations to ensure sufficient fuel reserves for winter stormy seasons. All new facilities on Sakhalin are constructed with the seismic conditions taken into account. Being a dominant fuel supplier on Sakhalin Island, the company constructs and serves, among others, new low-profit refuelling stations, where they are of social importance to local communities. To ensure the delivery of petroleum products to small settlements in case of snowdrifts, the company has its own snow-clearing vehicles. The agreements with the local authorities include construction of refuelling mini-stations in small settlements. This is the company's pilot project, which can later be extended to the mainland.



## SECTION 6: CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY

viding assistance to the authorities in case of an emergency.

The Company has developed a re-branding programme for its network of refuelling stations, expanded as a result of recent acquisitions. In 2007, the first refuelling stations featuring the new corporate style appeared

along the roads. It is expected that their appearance, in addition to the high quality of service and fuel, will make them attractive to customers. Thus the Company's retail network will increase its competitiveness and contribute to the development of regional social and economic infrastructure.



About 50 refuelling stations featuring new design and visual style were put into operation by Rosneft in late 2007. An expanded range of services, bright sunny colours, great variety of accompanying goods, high quality of client services – everything complies with the highest standards. In the course of developing its programme for retail network reorganisation and re-branding, Rosneft relied on the best international practices. The strategy of the Company's retail network improvement was developed in 2007 with the involvement of Boston Consulting Group. Minale Masterbrand was chosen as a contractor to develop a new visual style for Rosneft refuelling stations. This company developed corporate styles of the biggest western oil and gas corporations.

The Company also plans to introduce a new "Sunflower" brand for the refuelling stations' stores. The Company decided to depart from the usual stereotype of a petroleum company and replaced it by the bright sunny imagery, with black and yellow colours resonating with the corporate symbols. Since 2008, Company's refuelling stations will attract their customers using "loyalty cards" (for individuals and legal entities) and different bonus programmes. A corporate visual style has also been developed for petroleum storage depots, tank trucks, liquid gas carriers and airport fuel servicing trucks.





**HEALTH, SAFETY,  
AND ENVIRONMENT**





- HSE Policy and Management
- Stakeholder Engagement on HSE Issues
- Targeted HSE Programmes and Their Results
- Health and Safety, Accidents and Incidents Prevention
- Emergency Prevention and Response

According to the Company's HSE Policy approved in 2006, achieving the highest level of health and safety among the world's oil and gas companies is one of the strategic objectives of the Company (see the main provisions of this document at the Company's website: <http://www.rosneft.ru/Social/HealthSafetyandEnvironment/>).



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

## HSE Policy and Management

According to the Company's HSE Policy approved in 2006, achieving the highest level of health and safety among the world's oil and gas companies is one of the strategic objectives of the Company (see the main provisions of this document at the Company's website: <http://www.rosneft.ru/Social/HealthSafetyandEnvironment/>).

Being one of the largest industrial enterprises in Russia, the Company assumes responsibility for ensuring safe labour conditions at its facilities and for preservation of a favourable environment within its regions of operations.

### Integrated HSE Management System

The Company has implemented the integrated health, safety, and environmental management system (HSE IMS), certified as compliant with ISO 14001:2004 and OH-SAS 18001:1999 international standards. In order to ensure operation of this integrated system, seventeen corporate standards have been developed and introduced, including five standards introduced in 2007.

In May 2007, the system successfully passed an annual surveillance audit performed by the certifying agency, Bureau Veritas Certification. At present the certified system covers 27 sites and the Company's headquarters.

Some of the recently acquired Company's assets (OJSC Udmurtneft, OJSC Angarskneftekhim, and OJSC Novokuybyshevskiy Refinery) also have certified HSE management systems of their own.

In 2009, the conformance certificates of HSE IMS will expire and re-certification process will be necessary. By that time the Company shall ensure that all its subsidiaries (including the new assets) meet the stringent requirements of the international standards.

### Employee Training and Sharing Expertise

The Company pays serious attention to the systematic training and ensuring the competence of all employees with regard to HSE issues. Quarterly meetings are held in different regions of operations where, in addition to discussing results and future plans, practical training on improving HSE IMS performance and emergency preparedness exercises take place.

Organisations for conducting the workshops and trainings are selected taking into account specific operating conditions of different oil production, refining and supply facilities located in a variety of geographical regions. In 2007, the HSE training workshops were organised on the basis of RN-Tuapse Refinery and RN-Severnaya Neft (in Usinsk) companies. Such companies as DuPont and Bureau Veritas were involved in delivering the trainings.

### Assessment of the Company's Compliance with Environmental Legislation

Procedures for the assessment of environmental compliance form a part of the Company's HSE IMS and are regulated by the Company Standard # PZ-05 SC-007 "The Procedure of Providing the Company's Em-



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

ployees with Legal and Other Requirements (Identification of Legal Requirements)”. Industrial self-monitoring, as well internal audits and reviews of HSE IMS also involve compliance assessment and rely on its results.

In addition, the Company has created a special working group for addressing the issues related to the use of mineral resources and environmental safety.

### Insurance of Hazardous Industrial Sites

The Rosneft subsidiaries of operating hazardous industrial facilities are required to insure their civil liability. It is a form of obligatory insurance against damage to life, health, and property of third parties, or to

the environment in case of an accident at the hazardous industrial facility. All the industrial facilities meeting the criteria set forth by the Federal Law “On Safety of Hazardous Industrial Facilities” are subject to this kind of obligatory insurance.

### **OJSC Kuybyshev Refinery has been recognised as the “Leader of environmental protection in Russia— 2007”**

The 3rd All-Russian Environmental Conference decided OJSC Kuybyshev Refinery the “Leader of environmental protection in Russia— 2007” honorary title. The Director General of this company, Alexander Harpyak, was awarded the “Environmental Shield of Russia” Order, while the head of the company’s environmental safety department, Sergey Nikiforov, received the medal “For Distinguished Activities in Environmental Protection”.

Kuybyshev Refinery was among the first Russian plants that began to develop and implement environmental programmes aimed to mitigate industrial impacts on the environment. The main areas of refinery’s environmental activities include upgrading the process installations, conversion to the production of fuels compliant with stringent environmental standards, reconstruction of existing and construction of new pollution control facilities.



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## Stakeholder Engagement on HSE Issues

**H**SE is an important area of Company's engagement with its stakeholders. This cooperation takes place, in particular, within the procedures of environmental impact assessment, in environmental monitoring, selecting contractors, as well as in organisation of joint exercises with the Ministry of Emergency Situations of Russia, and other exercises.

The Company's experts participate in drafting and discussing regulations regarding environmental protection and industrial safety; collaborate with the relevant departments of the Federal Agency of Environmental, Technical and Nuclear Control, and of the Ministry of Natural Resources of the Russian Federation.

Various forms of stakeholder engagement are used in the Rosneft regions of operations. The most common engagement methods include, in particular, open house events and roundtable meetings to which the representatives of

legislative and executive authorities, as well as non-governmental, scientific, and educational organisations are invited (see Stakeholder Engagement section of this Report for more details).

The Company pays serious attention to the demands of environmental NGOs. Based on the results of public environmental monitoring activities carried out by "Sakhalin Environmental Watch" NGO, some problematic sites of oil production areas causing adverse impact on the Hatangli River and Lake in Noglik District of the island were identified. In order to resolve this issue, LLC RN-Sakhalinmorneftegaz has taken steps to improve the operation of pollution control equipment and reinforced its self-monitoring system.

## Targeted HSE Programmes and Their Results

**I**n 2007, significant HSE achievements of the Company included:

- reducing absolute pollutant emissions by 10%, and specific emissions (per tonne of oil produced) – by 43%;
- reducing total water consumption by the Company's facilities by 4% ;
- reducing wastewater discharges to surface water bodies by 3.7%, while increasing overall oil production;
- reversing the APG utilisation rate declining trend;
- reducing the overall occupational injury rate by almost a quarter.
- The company's priority areas of HSE activities for 2008 include:



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Regional public organisation “Khanty-Mansiysk Regional Unit for Intersectoral Environmental and Economic Studies of the Academy of Natural Science of Russia” (HMRO RAEN) has been involved in the environmental impact assessment of the project “Collection, preparation and compression of associated petroleum gas of the Komsomolsk field”. This made public participation possible throughout the assessment procedure and allowed to take into account the key stakeholders’ views when making project decisions.



### **Rosneft has started public consultations regarding offshore oil exploration on the Western Kamchatka shelf**

On October 5th, 2007, the round table meeting “Oil and Sea” was organised under the International conference “Marine ecology – 2007” which took place in Vladivostok. The representatives of OJSC Rosneft Petroleum Company told about their plans for exploratory boring within the Western Kamchatka licensed site and announced public hearings in Kamchatka and Magadan. The Manager of environmental protection of CJSC Sakhalinskiye proyekty Mr. V.F. Putov reported to the participants of the meeting. He described the environmental safety matters of the implementation of the six projects in process on Sakhalin in which Rosneft participates.





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- integrating existing management systems of the newly acquired facilities into the corporate HSE IMS, as well as development, introduction and certification of HSE management systems at the recently acquired facilities having no such systems;
- involving contractors and service organisations into the HSE IMS procedures, adding new elements to the system (e.g. "Leadership and Responsibility", "Audits of Conduct", etc.);
- ensuring successful outcome of the 2008 HSE IMS surveillance audit by the certifying organisation, BVQI, and practical application of the HSE IMS standards at the Company's subsidiaries, in particular, by means of personnel training;
- adapting the HSE IMS to the requirements of the new revision of OHSAS 18001:2007 standard, which pays more attention to personnel health, and specifies risk assessment procedure taking into account the human factor, as well as an incident investigation procedures;
- addressing the most acute environmental issues of the Company's subsidiaries including, in particular, the one of processing oil sludge and drilling waste;
- implementing measures at the Company's subsidiaries aimed at increasing the associated petroleum gas (APG) utilisation rate, reducing hazardous emissions, and improving the reliability of pipelines within the framework of the corporate targeted programmes outlined below.

The key targeted programmes aimed at achieving the Company's HSE objectives include the Environmental Programme, Gas Programme, and Pipeline Reliability Improvement Programme.

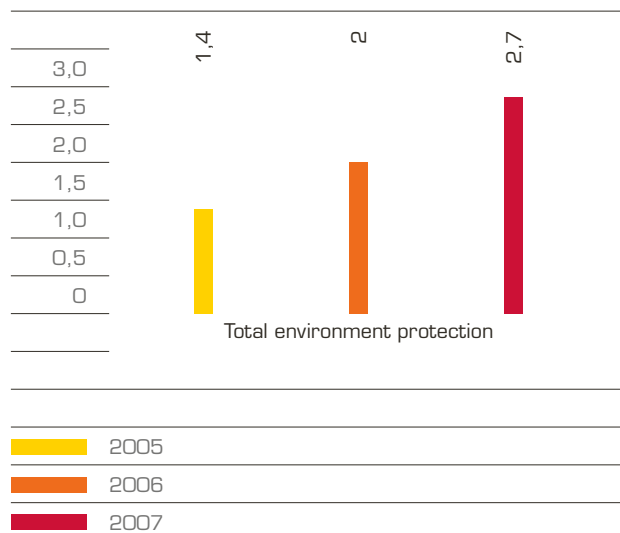
These programmes are described in more details in the 2006 Report (<http://www.rosneft.ru/Social/>) and below in this Report.

### HSE costs, RUR bln.

Each business plan of a Company's enterprise should include sections on health, safety, and the environment.

In 2007, the environmental protection costs of the Company and its subsidiaries increased by 35% and reached RUR 2.7 billion, while the health and safety costs increased 2.7 times and reached RUR 1.9 billion.

### Cost of health, safety and environment, bln. rub.





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## Emission Reduction

In 2007, the overall hazardous emissions of the oil production subsidiaries decreased by more than 34%, while their specific hazardous emissions decreased by 43%. The overall hazardous emissions of the refining sector decreased by nearly 31%, while in the petroleum product supply sector it decreased by 7.5 % compared to the last year.

These results have been achieved due to a system of environmental impact mitigation meas-

ures implemented within the framework of corporate targeted programmes. In 2007, in order to reduce air pollution, the Company's production facilities took a number of actions, including increased use of associated petroleum gas for their own needs, reconstruction of the pressurised and low pressure gas pipelines, survey of gas pipeline sections by means of pit sampling, and their major repairs. Other measures included adjusting burners, boilers, furnaces, and fuel equipment, as well as repairing tanks, cleaning and painting them with reflective paint.

### Total hazardous emissions, thousand tonnes.

Total for the Company	2004	2005	2006	2007
	358,04	959,50	1 059,79	697,77
including (for old assets):				
oil production	340,83	938,83	1 041,05	682,90
oil refining	9,52	11,88	10,50	7,25
petroleum product procurement	7,69	8,79	8,24	8,49

### Total hazardous exhaust (thousand tonnes)

Total hazardous exhaust (thousand tonnes):	2006	2007
	1 059,79	697,77
including:		
solids	81,28	49,48
including:		
solid fuel ash	5,07	5,83
gas and liquid	993,00	648,29
including:		
sulfur oxide	7,64	11,43
carbon oxide	731,41	452,61
nitric oxides	16,25	12,26
hydrocarbons (excl. VOC)	170,78	115,49
VOC (volatile organic compounds)	66,34	56,14
benzopyrene	0,02	0,01

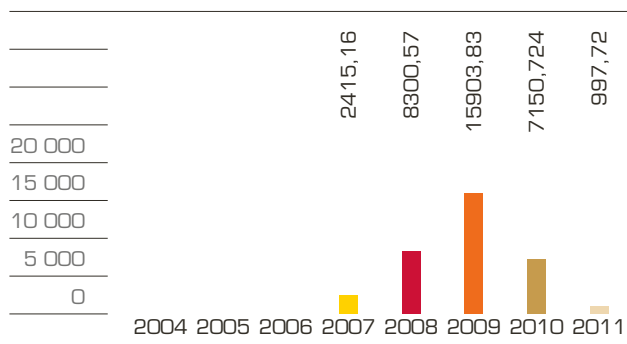


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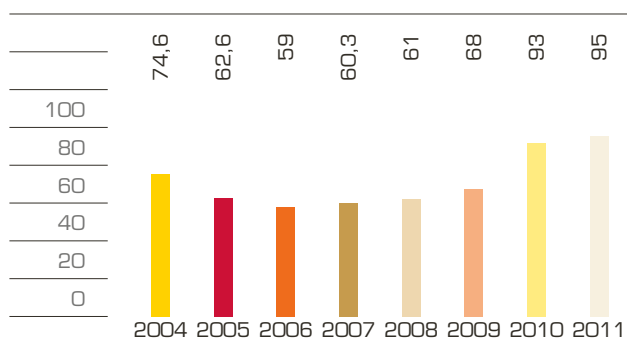
## Increase of the Associated Petroleum Gas Utilisation Rate

The Gas Programme envisions a system of measures aimed to increase the APG utilisation rate. The target for the Company as a whole is an APG utilisation level of 95%. The achievement of this goal will result in reduction of the amount of flared APG by more than 4 billion m<sup>3</sup>, thus allowing to reduce the emissions of greenhouse gases, while increasing the fuel supply to the Russian economy. According to the business plan for 2007–2012, overall investments in these APG utilisation measures will exceed RUR 35 billion.

### Dynamics of the investments in increasing the APG utilisation rate mln RUR



### Dynamics of the APG utilisation rate at the Company's facilities %



## Initiatives to Reduce Greenhouse Gas Emissions

In 2007, within the limits of the Gas Programme implementation, some design and survey works were carried out; construction and installation of a 315 MW gas-compressing station has been completed at Priobskoye field (LLC RN-Yuganskneftegaz).

The process involves APG collection at the Priobskoye oil field, its two-stage compression and de-watering, and transportation to Yuzhy Balyk Gas Processing Plant. This is the first gas-compressing station operated by RN-Yuganskneftegaz, where the compression equipment is driven by gas turbines instead of electric engines. Thus the project design provides for power savings and the improvement of the company's energy efficiency.

Rosneft prepared the project of APG utilisation at the Komsomolsk oil field and submitted it to the government authorities in accordance with the existing legislation. The project provides for the construction of a booster compressor station with a gas preparation plant which will bring the APG level to 95%. 2 billion m<sup>3</sup> per year of purified gas will be supplied into the trunk gas pipeline operated by OJSC Gazprom.

Representatives of the International Bank for Reconstruction and Development visited LLC RN-Purneftegaz, discussed the details of the project, evaluated its compliance with the Kyoto Protocol requirements and assessed the personnel's expertise.

During the project preparation an environmental impact assessment was carried out. The report prepared by the regional public organisation "Khanty-Mansiysk Regional Unit for Intersectoral Environmental and Economic Studies of the Academy of Natural Science of Russia" (HMRO RAEN) has been posted on the Company's website ([www.rosneft.ru](http://www.rosneft.ru)).



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In addition to providing additional fuel, the implementation of this project will result in reduced emissions of hydrocarbons and combustion products thus leading to a favourable impact on the regional environment.

### Water Consumption and Impact on Water Bodies

As a result of resource efficiency measures taken by the Company's subsidiaries in 2007, the following results were achieved:

- 6% increase in amount of water used in the water recycling system;
- 26% increase in amount of reused water;
- 4% reduction of total freshwater consumption accompanying a considerable increase in oil production.

Compared to 2006, the wastewater discharges into surface water bodies were reduced by 3.7 %. This result has been achieved mainly due to putting into operation wastewater treatment facilities at LLC RN-Severnaya Neft (at Bagan field), LLC RN-Purneftegaz, (at Kharampur field), and LLC RN-Archangelsknefteporodukt. The wastewater treated to a standard quality is re-used at the Company's facilities; discharge of such water into the water bodies has reduced by 14% compared to 2006.

Water consumption, total (thousand m <sup>3</sup> )	2004	2005	2006	2007
	47 653	150 818	153 652	147 592
Oil production	42 435	145 133	148 056	141 940
Oil refining	4 395	4 606	4 324	4 799
Petroleum product procurement	823	1 079	1 271	853

Discharge of waste water into the surface water bodies, total (ths.m <sup>3</sup> )	2004	2005	2006	2007
	9 400,73	6 378,89	7 085,87	6 824,53
Oil production	3 753,97	1 025,60	1 574,70	1 098,12
Oil refining	4 039,10	3 633,40	3 932,80	4 321,20
Petroleum product procurement	1 607,66	1 719,89	1 578,37	1 405,21



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Putting renovated wastewater treatment facilities into operation in 2007 became the most important stage of large-scale reconstruction conducted at the Company's Archangelsk oil-loading terminal. According to experts' calculations, due to the use of new technologies and automated process control, the residual content of oil hydrocarbons in the treated wastewater will not exceed 0.05 mg/l. This performance is comparable to the one achieved at similar European facilities. RUR 128 million was spent on the reconstruction of treatment facilities with a capacity of 50 m<sup>3</sup>/hour.





## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

## Waste Treatment and Land Restoration

By the beginning of 2007, the Company owned more than 2.3 million tonnes of waste with more than 95% of this amount accumulated by OJSC Yuganskneftegaz prior its acquisition by Rosneft. After the acquisition in late 2004, the work to dispose of the stored waste was started. At present, LLC RN-Yuganskneftegaz uses pitless drilling. The mud is

loaded into a collector and then transported by a licensed contractor to CJSC Rosekoprompererabotka for processing. The oil sludge produced in the course of LLC RN-Yuganskneftegaz operations is disposed of or processed according to the schedule approved by supervisory authorities.



INSERT In 2007, within the framework of the Environmental Programme at LLC RN-Yuganskneftegaz, an integrated facility for processing liquid and solid oil-containing sludge with the capacity of 90 m<sup>3</sup> per day has been put into operation at the testing site near multiple well platform # 56 of Yuzhno-Surgut field.

The sludge processing method used provides for effective waste minimisation. The sludge is separated into fractions and then re-used: the water is used for maintaining reservoir pressure, the cleaned soil is used for bunding construction, and filling oil field equipment pads, while purified oil is sent via collectors to a preparation and pumping unit for final treatment.

The facility can operate throughout year since during the cold period the sludge is heated by the steam from a boiler plant. In 2008, similar technology will be applied at the Priobskoye field.



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A unit for decontamination of drilling waste by thermal pyrolysis has been selected and purchased for CJSC Vankorneft, and is being installed at the moment. This unit is capable of processing up to 1.5 thousand m<sup>3</sup> of drilling waste per month. After the treatment the waste becomes a non-toxic certified construction material which can be used for filling of roads or multiple well platforms.

At LLC RN-Purneftegaz, the construction of a landfill for industrial and municipal waste at Barsukovskoye field was completed in 2007, and the

construction of a similar dump at Tarasovskoye field was started. The design specifications and estimates for construction of the dump at Kharampur field are being prepared.

Overall, the amount of waste processed by the Company itself in 2007 reached 27.8 thousand tonnes per annum. 401,172 tonnes of waste, or 8.8% more than in 2006, was transferred to third party organisations. This amount includes 68,348 tonnes of oil sludge, which is more than 4 times more than in 2006.

### Waste management, tonnes

Waste available at the beginning of the year	t	2 362 965,62	2 318 443,06
including oil sludge		101 126,76	116 074,16
Generated during the year,	t	133 720,15	545 230,62
including oil sludge		37 618,97	72 178,12
Used during the year,	t	111 815,38	85 000,98
including oil sludge		4 747,32	3 225,30
Decontaminated at the Company's facilities	t	31 781,72	27 853,56
including oil sludge		5 350,90	13 697,22
Transferred to third-party organisations	t	366 039,51	401 172,26
including oil sludge		14 380,05	68 348,12
Waste stored at the end of the year	t	2 318 268,06	2 347 285,52
including oil sludge		117 133,88	102 933,88

### Disturbed lands and their reclamation, ha

	2004	2005	2006	2007
Disturbed land at the end of the year	9 666	10 093	12 040	6 082
Contaminated land at the end of the year	433	1 569	1 339	1 251
Land reclaimed during the year, total	4 100	5 234	3 834	1 208
including contaminated land	354	776	615	517



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

## Improvement of Pipeline Reliability

The Company puts a lot of effort into ensuring reliable and accident-free operation of its pipeline system, many components of which are substantially depreciated.

Specific indicators, including the number of pipeline ruptures and amount of oil and petroleum products spilled per million tonnes of produced oil are gradually decreasing, though the reduction rate is not fast enough.

In order to strengthen this area of work, in 2007 a Pipeline Operation Office was created within the Department of Oil and Gas production. It is specialists of this office who coordinate the implementation of the Pipeline Reliability Improvement Programme.

The Programme objectives include:

- introduction of uniform requirements regarding the use of corrosion-proof steel grades in the construction, renovation and major repairs of the pipelines;

- increased use of pipes with internal coating;
- increased number of pig launching and receiving station at the Company's pipeline systems;
- increase in the length of pipelines protected by corrosion inhibitors, and monitoring of their effectiveness;
- timely provision of the design specification and estimates, and necessary permits for the pipelines.

The Programme focuses on two main areas of activity, including assurance of guaranteed high quality of pipes received from manufacturers, and the improvement of pipeline operation. The latter requires the introduction of new management approaches, engineering solution, and specialised personnel training which is also among the objectives of the Pipeline Operation Office.

## Pipeline ruptures and spills

Indices \ Years	2004	2005	2006	2007
Number of pipeline ruptures involving oil and petroleum product spills	3 487	3 121	4 103	4 110
Specific number of ruptures involving oil and petroleum product spills (per 1 mln. tonnes of produced oil)	161,4	41,8	48,6	46,7
Oil and petroleum products spilled as a result of pipeline ruptures, tonnes	2 079	3 242	3 604	3 296



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT



In 2007, a research into possible ways to improve pipeline reliability was carried out by the Company jointly with the All-Russian Research Institute of Oil and Petroleum Products Collection, Preparation and Transportation (the city of Ufa). As a result of the research, it was proved that the key reliability factors are provision of high-quality pipes, as well as the design and maintenance of optimal pipeline operation regimes. Based on these results it was decided to conduct a technical audit of the Russian and CIS manufacturers supplying pipes to the Company's subsidiaries. LLC Samarskiy ITC was involved in this work. The audits promote the improvement of the quality management systems of the manufacturers and reduce the risk of installing poor-quality pipes at the Company's pipelines.

As a result of the work performed in 2005-2007, the Company managed to gradually reduce the pipeline accident rate. In 2007, the only accident occurred, with its reasons thoroughly investigated and the consequences promptly eliminated.

The number of pipeline failures reduced by 5.5% compared to the previous year (16677 cases in 2007 compared to 17654 cases in 2006).

In June, 2007, a study visit to Canada (Alberta) was organised for the group of Rosneft specialists in order to study the pipeline operation under the northern climate conditions. The Company's employees had an opportunity to visit oil, gas and condensate production sites in the north-western part of Alberta operated by Devon, Brichcliff Energy and Trilogy Energy Trust. Rosneft specialists met their colleagues working on the issues of corrosion protection and ensuring pipeline integrity, discussed specific engineering and managerial decisions aimed at the pipeline reliability improvement. As a result of the visit, the specialists of the Pipeline Operation Office have developed a number of practical recommendations. Taking into account the experience gained in the course of the study visit to Canada, further training programmes for the Company's specialists, as well as trainings at Russian pipe manufacturing sites are planned for 2008.



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

## Health and Safety, Accidents and Incidents Prevention

The Company's integrated HSE management system is based on the principles of involving personnel of all levels in industrial risk reduction, and personal responsibility of each employee for compliance with relevant safety requirements. The system provides for activities aimed at prevention of occupational diseases and injuries, as well as for measures to improve working conditions. Primary attention is paid to improvement of industrial safety of hazardous industrial facilities, enhancement of working conditions, as well as organisation of personnel safety training.

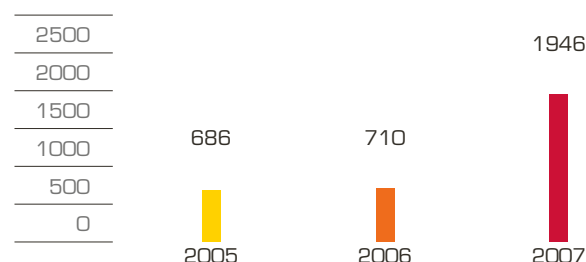
The Company pays serious attention to the organisation of internal health and safety inspections.

The Company's employees are provided with state-of-the-art certified personal and collective protection equipment as required by the existing legislation and corporate policies.

Due to the expansion of the Company's assets in 2007, the health and safety costs increased 2.75 times compared to the previous year. The main areas of funding include reconstruction and upgrading of the process equipment; installing protective equipment and alarm systems; inspections of the process equipment, installations, and tools; provision of special protective uniforms, shoes and other personal protection equipment for the employees; personnel training, etc.

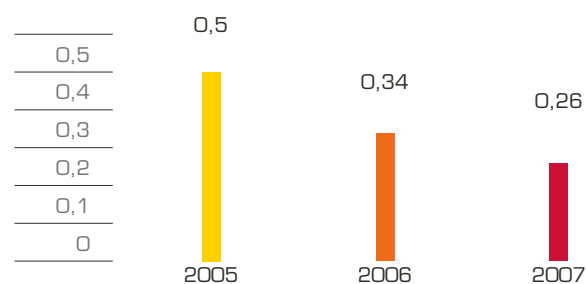
In 2007, the effective operation of HSE IMS helped reduce the occupational injury rate in the Company and its subsidiaries by 24%, achieving the level of 0.26 cases per 1 million working hours.

### Occupational and industrial safety costs, mln RUR



Provisions concerning occupational safety constitute an obligatory part of the collective agreement between employees and the Company management. The Company supports union activity concerning monitoring of working conditions and observance of health and safety norms.

### Total occupational trauma level (cases per 1 mln of the working hours)







## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT



### Awards for the occupational safety achievements

LLC RN-Tuapse Refinery and OJSC Udmurtneft, Rosneft subsidiaries, were granted awards for their occupational safety achievements. In 2007, OJSC Udmurtneft was declared winner of the competition for the best organisation of occupational safety activities in Udmurtia in the category of industrial and transport enterprises. LLC RN-Tuapse Refinery won a similar competition in Krasnodar Region in the category of industrial plants.

The Company has held an annual competition for the best subsidiary in terms of health and safety. In 2007, the leaders in this competition were:

1st place – RN-Tuapsenefteproduct, LLC  
 2nd place – RN-Vostoknefteproduct, LLC  
 3rd place – RN-Yuganskneftegaz, LLC

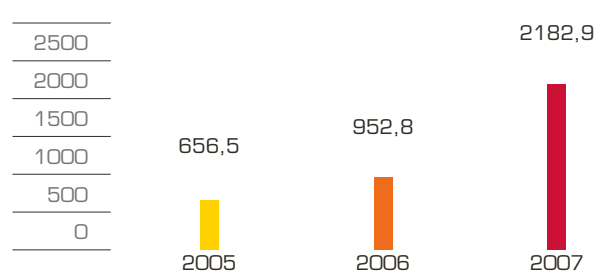


## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

## Emergency Prevention and Response

The organisation of the corporate emergency prevention and response system was described in the Company's 2006 Sustainable Development Report. In 2007, 114 exercises in eliminating possible accidental spills at the Company's facilities, including 29 integrated exercises, were held. Subsidiaries for conducting regular workshops and exercises are selected taking into account specific operating conditions of different oil production, refining and supply facilities located in a variety of geographical regions.

### Emergency prevention, fire and radiation safety costs, mln RUR



### Joint Russian-American exercise in oil spill elimination

In July, 2007, a joint Russian-American exercise in oil spill elimination was conducted in the De-Kastri port, Chikharev Gulf, which is responsible for shipment of oil produced by the Sakhalin-1 project. That was the first exercise of such kind.

According to the exercise scenario, an oil spill occurred at the DeKastri oil-loading terminal (owned by Exxon Neftegas Limited). 15 thousand barrels of spilled oil threatened ecosystems of the Ustrichniy Island, Tigil Bay in the Chikharev Gulf, and, in case of a change in wind direction, the coast of the Strait of Tartary as well.

10 representatives of the terminal emergency team participated in the exercise. Additionally, 12 representatives of the Russian Ministry of Emergency Situations and of the Far East Regional Search and Rescue Team were involved.

The objective of the exercise participants was to prevent spread of the oil spilled over a large water area. To contain the oil the rescuers used spill booms. Then the hydrocarbons were collected with oil recovery boats into prepared containers.

The exercise demonstrated preparedness of the emergency teams for the elimination of possible emergency oil and petroleum product spills.



## SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT

In 2007, the Company's expenses for emergency prevention and response, as well as fire and radiation safety increased 2.3 times compared to the previous year and amounted to RUR 2.18 billion.

In 2007, a considerable amount of work for obtaining licenses for operation of fire-hazardous industrial facilities of the newly acquired assets was carried out. In 2007, due to the

change of responsibility allocation between the Company and the Ministry of Emergency Situations in the field of fire-fighting, the Company embarked on creation of internal fire-fighting service; the pilot project is planned to be implemented in Samara Region in 2008.

In 2007, there was no fire, accident, radiation accident, or oil spill classified as an emergency at the Rosneft companies.

On April 17th, 2007, in Usinsk, the home city of the Company's subsidiary LLC RN-Severnaya Neft, a meeting titled "The results of the OJSC Rosneft's subsidiaries HSE activities during the 1st quarter of 2007 and the objectives for the 2nd quarter" was held.

The most important HSE issues were discussed during this meeting. They included taking effective measures to prevent occupational injuries; organisation of internal HSE inspections, e.g., audits of conduct, overseeing elimination of breaches identified, and effective safety trainings for employees.

The meeting included a workshop on the practical aspects of HSE IMS and areas of the system improvement, as well as a display exercise in pipeline rupture and spill elimination at an oil and gas production site organised by LLC RN-Severnaya Neft.

On July 10–13, 2007, a meeting titled "The results of the JSC Rosneft's subsidiaries HSE activities during the first half of 2007 and the objectives for the second half of the year" was held at LLC RN-Tuapse Refinery.

During the meeting, the subsidiaries presented their reports concerning emergency prevention and response, and a meeting of the working group on the implementation of the Rosneft technical standard for personal protection equipment was held.

An exercise in oil spillage elimination at a Tuapse mountain river was carried out; the exercise scenario included inflammation of the oil spilled over the water.





SECTION 7: HEALTH, SAFETY, AND ENVIRONMENT





# 8

**EMPLOYEE RELATIONS  
AND SUPPORT OF  
LOCAL COMMUNITIES**





- Social Policy and Related Expenditures
- Social Policy at the New Facilities
- Recognition of the Company's Social Policy
- Employee Relations
- Observation of Employees' Rights and Cooperation with Labour Unions
- Characteristics of Personnel
- Employee Motivation
- Corporate Pension Scheme and Support to Retired Employees
- Mortgage and Housing Programme
- Improvement of Working and Recreation Conditions
- Health Programme
- Support of Education. "School-University-Company" Programme
- Personnel Evaluation and Development
- Candidates Pool Programme
- "Best Professional" Contest
- Development of the Corporate Culture
- Local Community Engagement and Contribution to the Socio-Economic Development of the Regions of Operations
- Supporting Indigenous Communities of the North
- Supporting Sports



SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

The social policy of the Company involving organisation of labour, human rights, and provision of support to local communities in the Company's regions of presence is part of the corporate strategy targeted at the establishment of the entire scope of preconditions for the stable development of the Company in the long run. This policy is based on unconditional compliance with commonly accepted international standards related to human rights, including prevention of discrimination of any kind, promotion of freedom of association and group negotiations, prohibition of child and forced labour, as well as the stipulations of the Russian labour and human rights legislation.

In its regions of presence, the Company invests in infrastructure facilities, provides charity to municipal authorities, schools, orphanages, and socially challenged sectors of the population.

These investments and expenditures are the implementation of the Company's corporate policy concerned with social responsibility and they establish preconditions for the stable development of its business in the regions, improve the standards of living for the Company's employees and their families, as well as contribute to the stable development of the regions where the Company has its facilities.

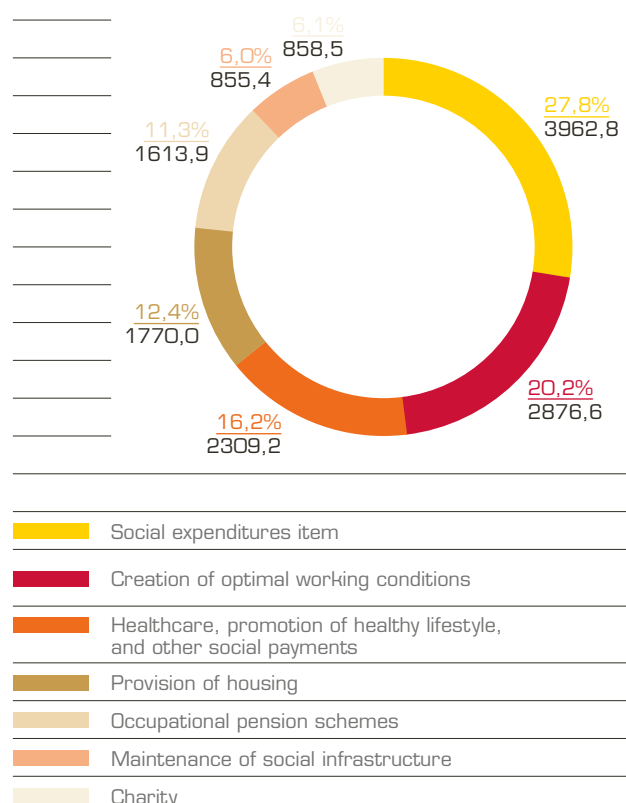
## Social Policy and Related Expenditures

The social expenditures of the Company almost doubled in 2007 compared to 2006. Such growth can be attributed both to the expansion of Rosneft's social programmes to the newly acquired assets, and to increased social investments of the older subsidiaries of the Company. In 2008, the Company plans to stabilise its social expenditures: the expected growth of 11% corresponds to the projected inflation rate.

### Social expenditures of the Company:

	Expenditures, RUR million
2005	4 281
2006	7 586
2007, including:	14 246
– older assets	11 859
– newly acquired assets	2 387
2008	16 144

### Social expenditures by area, 2007:





## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Social Policy at the New Facilities

During spring and summer 2007, the Company acquired 146 businesses employing some 60 thousand people. Involving these employees into the Rosneft's social programmes became one of the key objectives of the Company's social policy.

The newly acquired businesses did not offer their employees any additional occupational pension

The former assets of Yukos Petroleum Company acquired by Rosneft through competitive biddings cancelled the mortgage programme initiated by Yukos. However, the Company reassumed the obligations involving financial aid to individual employees to cover part of the interest on mortgage loans provided earlier. Moreover, the employees of



scheme. In 2007, 13 newly acquired companies joined the corporate pension scheme, 20 more businesses are to join in 2008, and all the remaining facilities will join the scheme in 2009. The expenditures related to this process amounted to approximately RUR 150 million in 2007, and are expected to reach RUR 230 million in 2008.

these companies are joining the Rosneft's mortgage scheme that has better conditions than those previously offered by Yukos. In 2007, 50 employees of the newly acquired subsidiaries joined the Company's mortgage scheme, and 150 more are expected to join in 2008.



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## Recognition of the Company's Social Policy

The Company's social responsibility policy is receiving well-deserved recognition. In 2007, three subsidiaries of the Company received the awards of the 7th National Best Russian Or-

ganisation of High Social Performance Contest. LLC RN-Purneftegas won the first place in the Implementation of Social Programmes category, LLC RN-Severnaya Neft was the second in



### Recognition of the Company's social policy at the regional level

LLC RN-Severnaya Neft successfully took part in the 2nd Best Human Resources Management contest held in 2007 in the Komi Republic. The Rosneft subsidiary won in four out of eight categories of the contest, including Recruitment of Human Resources, Employee Adaptation, Employee Evaluation, and Social Partnership in Professional Education.

Some 2007 contests were dedicated to the results of companies' operations in 2006. LLC RN-Yuganskneftegaz won the 7th regional competition Black Gold of Yugra in the main category titled the Company of the Year in the Khanty-Mansi Autonomous Area. It also won the award For Cooperation with Indigenous Communities of the North.

LLC RN-Sakhalinmorneftegaz won the Sakhalin regional contest titled Philanthropist 2006 in the Corporate Philanthropist category.





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the Salaries and Social Aid category, while LLC RN-Nakhodkanefteprodukt won the third place in the Charity category.

This annual contest has been held under the auspices of the Russian Ministry of Economic Development and Trade with the goal to pro-

mote the best corporate social responsibility practices by Russian companies and organisations. Over 900 Russian companies from 77 different regions took part in the contest that included 6 major categories



In December 2007, the All-Russian Centre of Public Opinion Research (WCIOM) published the results of the survey of the working-age urban population of Russia regarding the companies considered the best employers and the choice of employers respondents would like to work for, assuming the decision was up to them.

22% of the working-age urban population called Rosneft the best employer, giving it the third position on the list (Gazprom was the first with 38%, and Sberbank was ranked second with 23%). 23% of the surveyed population chose Rosneft as the company they wanted to work for (compared to 44% votes for Gazprom). Thus, the Company is the second most attractive employer in the Russian Federation.

According to the results of a survey conducted by the Rosneft HR Department among students of sectoral universities, the students of the Ufa State Oil Technology University named Gazprom (36.5%) and Rosneft (35.1%) as the most attractive employers. The students of the I.M. Gubkin Russian State University of Oil and Gas called Rosneft the most attractive employer (40.4%) and gave Gazprom the second place (34%).





## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Employee Relations

The Company's priorities with regard to its employee relations in 2007 and the following years include:

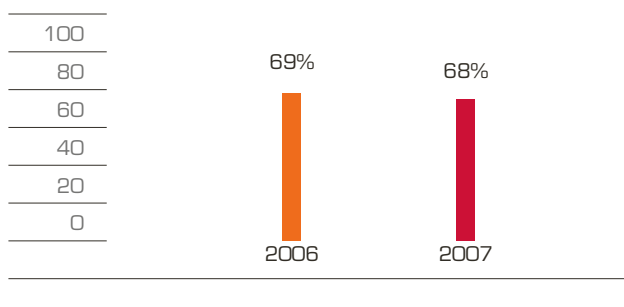
- Enhanced monitoring of labour markets of the regions of operations (including the regions of newly acquired assets) to ensure competitive wages and benefits for employees of all categories and at all the Company's subsidiaries;
- Preparation and introduction of a new grade-based remuneration system;
- Integration of the newly acquired facilities in the existing Company's employee motivation and development system;
- Further restructuring carried out in a socially responsible manner, consolidation of subsidiaries' service divisions into larger companies to enhance the quality of their services and ensure better control over costs;
- Development of priority social programmes, including health improvement programme for employees, corporate mortgage scheme and corporate pension scheme, ensuring compliance of camps for rotational teams and support bases for production staff with the Company's standards.

## Observation of Employees' Rights and Cooperation with Labour Unions

The Company's relations with its employees are based on the social partnership principles, and Rosneft cooperates actively with labour unions established at most subsidiaries and representing more than half of the Company's employees. The majority of the subsidiaries have collective agreements between the employees and the management stipulating mutual obligations of the employer and the employees with the goal to ensure stable operation of the company and estab-

lish the conditions for safe and effective labour and listing social benefits and payments to employees as well as relevant distribution approaches. Representatives of trade unions perform social control over the conditions of labour at their respective facilities and participate in discussions concerned with recreation and health care programmes for employees and their families. The terms and conditions of collective agreements and the key areas of activities of trade unions are described in detail in the Section titled Social Partnership of Report 2006. Representatives of labour unions perform independent monitoring of working conditions at their respective facilities and participate in discussions regarding recreation and health care programmes for employees and their families, as well as distribution of social benefits. In accordance with the legislation, Rosneft creates a supportive environment for labour unions to perform their activities within the Company's facilities by providing specially equipped premises and vehicles for visiting production sites. If an employee is

**Chart: Share of labour union members employees among employees, as of the end of the year %**





## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

elected as a full-time representative of the labour union, the Company preserves his or her position for the time of service, and all social benefits remain valid. Representatives of labour unions visit management meetings dealing with human resources and social policy. Labour unions of the Company's subsidiaries belong to respective national union organisations, such as Neftegazstroyprofsoyuz and Rosneftekhim, while the leaders of these organisations maintain working relations with managers of the Company's headquarters. Together they are able to address issues unsolved at the level of subsidiaries. Most subsidiaries have collective agreements between the employees and

the management, which set forth mutual obligations of the employer and the employees with regard to ensuring stable operation of the company and maintaining conditions for safe and effective labour, as well as social benefits and payments together with approaches to distributing them. Representatives of labour unions perform independent monitoring of working conditions at their respective facilities and participate in discussions regarding recreation and health care programmes for employees and their families. The terms and conditions of collective agreements and the key areas of union activities are described in detail in the Social Partnership Section of 2006 Report.



In August 2007, Sergey Karaganov, the Company's Vice-President met with the leaders of labour unions of the newly acquired companies. During the meeting, they discussed such issues as retaining catering facilities serving the employees within the respective companies, schedule for inspecting working conditions at newly acquired facilities, participation of labour unions in discussions regarding possible separation of social facilities in the course of restructuring, priority financing of the Company's obligations under the collective agreements, adjustment of salaries for inflation, and participation of labour union representatives in management meetings. Resolutions were made with respect to all the issues discussed, an action plan was developed, and those responsible for implementing it were appointed.



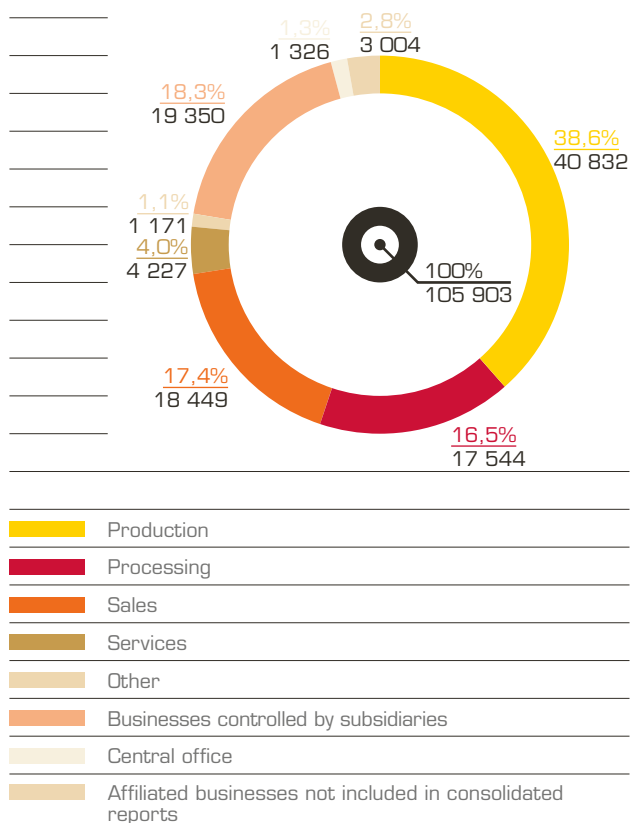
SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Characteristics of Personnel

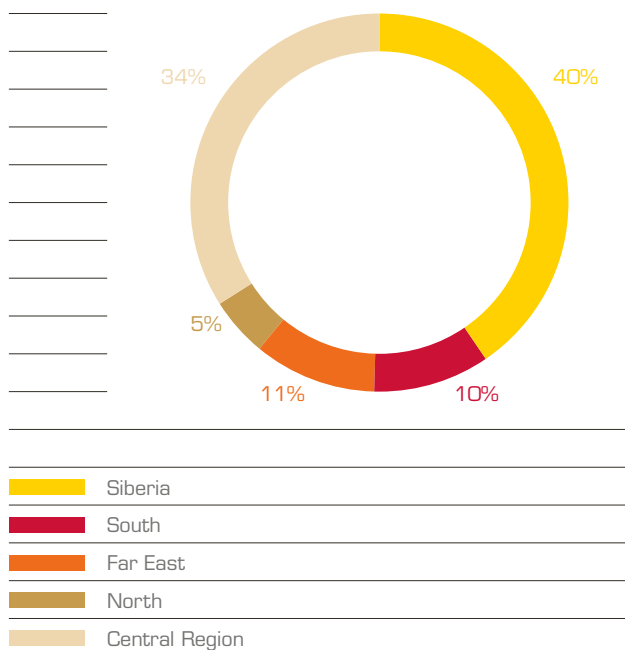
As a result of acquisition of new assets in 2007, the average annual number of employees on the Company's payroll increased more than 1.4 times from 74 thousand in 2006 to 106 thousand in 2007. The Company now has employees almost in all regions of Russia.

In 2007, the average age of employees was 41. There were 11 150 people holding management positions (10.5%). In 2007, 33 455 new employees were hired. The number of employed increased in all sectors of operations, including oil production, refining, and marketing. In 2007, as in the previous year, the largest share of personnel (39%) was employed in

### Distribution of employees among the key areas of activities, people



### Breakdown of employees by geographical regions in 2007



oil production, although this share somewhat decreased compared to 2006. The share of those employed in sales (18.5 thousand, or 17.5%) and in refining (17.5 thousand, or 16.5%) increased in terms of both percentage and number. The number of Rosneft employees involved in innovations and technology development increased from 1.5 thousand in 2006 to 4 thousand in 2007. The Company employs 22 Doctors of Science and 170 Candidates of Science. The number of employees increased primarily due to the acquisition of new facilities including 6 research and development institutes.



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## Employee Motivation

### Wages

The Company pays competitive wages significantly higher than the average remuneration level in most regions of operations, and several times higher than the subsistence level. The Company constantly monitors the level of salaries offered to different categories of specialists in the labour markets in all its regions of operation in order to decide whether certain regions and categories of specialists need larger increase in remuneration than the others.

In 2007, the remuneration increase rate in Murmansk, Kurgan, Krasnodar, and Stavropol regions was higher than the average rate in the Company.

(See the table showing the ration between average salaries in subsidiaries, average salaries in respective regions, and the subsistence on page 57).

The major problem related to employee motivation the Company was addressing in 2007 and will continue to address 2008 is the unification of remuneration and incentive system across subsidiary companies including the recently acquired businesses.

In order to establish a unified remuneration system, the Company has embarked on introducing a system of position grades. A pilot project was launched in 2007 at LLC RN-Yuganskneftegaz, an oil production subsidiary. The grading of all positions within the Company and of subsidiaries is scheduled for 2008; in 2009-2012 specific salary and benefits ranges will be identified for each grade.

The improvement of the motivation system also involves introduction of key performance indicators for the top managers based on the Management by Objectives approach.

It is expected that the Company's Business Plan will be revised in the second half of 2008 to make sure that the remuneration growth rate in subsidiary companies does not fall behind the Russian Consumer Prices Index. Moreover, additional salary increases are scheduled for key/priority specialties based on specific features of regional labour markets and economic performance of the subsidiaries.

### Benefits and Social Payments

In all the subsidiaries, the benefits package includes:

- Health care and vacation benefits, including voluntary health insurance, as well as full or partial coverage of recreation, health improvement, and respective travel expenses for employees and their children. These benefits are an important part of the corporate Health Programme;
- Monetary allowance to employees in difficult situations;
- Retirement allowance.

In addition, in some subsidiaries employees get free meals; women on maternity leave receive additional financial aid; employees living in dormitories get compensation for rent; and there are some other benefits. The range and amount of benefits depend on the economic performance of the respective company and the terms of the collective agreement.





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One of the special benefits offered by the Company is interest-free education loan, aimed to help employees and their children get higher education in Russian universities having state

accreditation. The loan covers tuition fee within the limit of \$2500 per year. In 2007, the Company granted 371 college loans worth RUR 15.8 million in total.

## Corporate Pension Scheme and Support to Retired Employees



The Corporate Pension Scheme developed by the Company not only helps retired employees and veterans improve their standard of living, but also contributes to accomplishment of some objectives of the HR management policy, including reducing the staff turnover, as well as attracting more young professional and highly qualified specialists.

The Rosneft's Corporate Pension Scheme was first launched in 2001 and then reformed in 2006. At the end of 2007, the Company introduced the Occupational Pen-

sions Standard for Rosneft and its SDCs that envisions future development of the Corporate Pension Scheme. The Corporate Pension Scheme is based on economic principles and the concept of full pension comprising state pension, corporate pension, and personal pension.

For the first time ever, the Company employees were involved in building up their full pensions as part of their salaries was transferred to personal pension accounts with the Neftegarant Occupational Pension Fund. Monthly pay-





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ments to the fund should be no less than 4% of the actual salary; personal pension accounts will add on average 15% of the salary to the pension. As a result, by 2011 full pensions will reach up to 45-50% of the pre-retirement salary, approaching the ratios typical to developed countries.

Personal pension contracts, offered by the Neftegarant occupational pension fund, include two types of pension plans (lifetime and for

By 2011, the size of the corporate pension will reach almost RUR 6 thousand per month. This is 4.2 times higher than in 2005: prior to the Pensions Scheme reform, the average corporate pension was about RUR 1400.

In 2007, over 19 thousand retired employees and veterans of the Company were receiving lifetime corporate pensions.

Apart from funding additional pensions, the



a specified term) reflecting varying demands of employees regarding the pension payment scheme, ability to inherit the pension, etc.

In order to involve employees in the pension reform, the Company works to raise their awareness on the issue. Gradually, employees come to understand their own responsibility for their future welfare.

In 2007, almost 700 people made voluntary deductions to their occupational pension fund accounts.

Company covers health care and recreation costs for veterans and retired employees. In 2007 the Company spent over RUR 160 million on this kind of financial aid.



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## Mortgage and Housing Programme

Considering high interest rates on mortgage loans as well as the lack of housing for rent in small towns, the Company is implementing an integrated programme aimed to provide housing for its employees. The programme includes four types of aid:

- corporate mortgage scheme;

ment and a long-term low-interest loan for the rest of the amount provided by partner banks to a Company's employee. The payback period is up to 17 years and the annual interest rate on the long-term loan is 8-10%. The terms and conditions of the corporate mortgage scheme are described in detail in the 2006 Report. A two-year



- housing construction;
- participation in the implementation of the Federal Housing Programme on the Sakhalin Island;
- providing corporate apartments to employees.

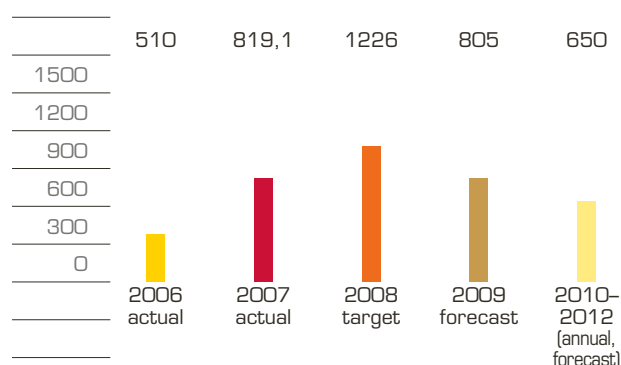
In 2007, Rosneft provided housing to more than 1160 families with the total area of these apartments amounting to 74 thousand m<sup>2</sup>. The Company bought over 90 corporate apartments for the specialists recruited from other regions. In 2008-2012, the Company is planning to spend over RUR 6.3 billion on the implementation of the Integrated Housing Programme. The programme which puts emphasis on development of mortgage schemes (the share of mortgage is expected to reach 80%) will help 7000 families to improve their housing conditions. The corporate mortgage scheme involves an interest-free loan worth 25-35% of the value of the apart-

priority national project titled Affordable and Comfortable Housing for Russian People is implemented in the Russian Federation. Rosneft, being one of the largest and socially responsible companies, cannot but contribute to the solution of this important social issue. The Company constructs residential houses in the regions where there is not enough housing available, or where it is too expensive – in Grozny, Neftekumsk, Izberbash, Gubkinsky, and Usinsk. Some employees buy apartments with their own money, while some get partial subsidies from the Company. The Company places a special emphasis on its participation in the Federal Housing Programme in Sakhalin Region. The overall regional budget of the programme in 2004-2009 will exceed RUR 1400 million and Rosneft will cover half of this amount (RUR 706 million). Over that period, 322 apartments will be provided to employees of LLC RN-Sakhalinmorneftegaz.

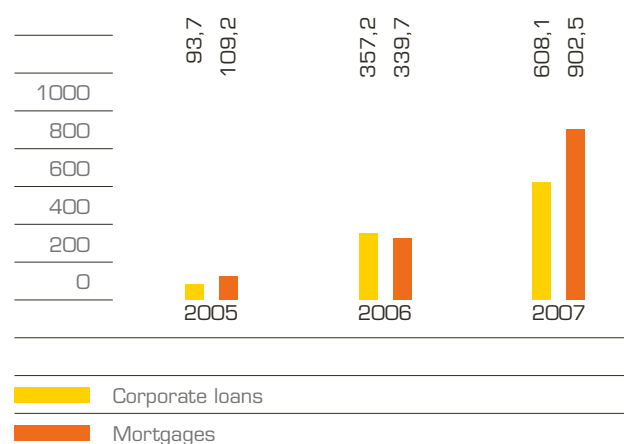


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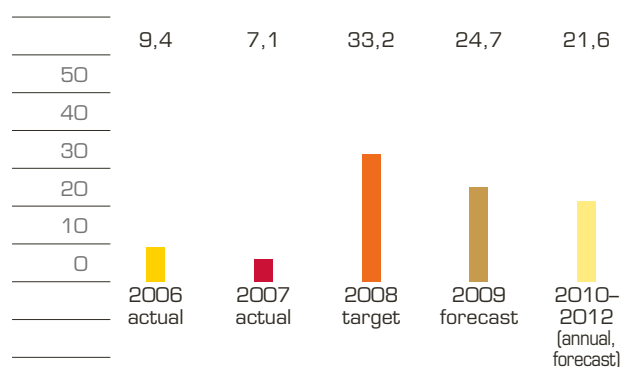
### Housing construction costs, RUR million



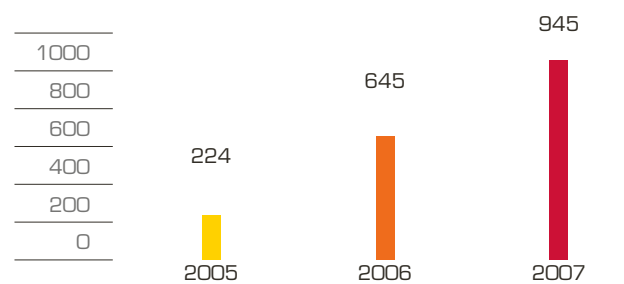
### Participation in the mortgage scheme and its funding mln RUR



### Residential houses built by the Company thousand m<sup>3</sup>



### Number of participants (people)



### Providing housing to the employees' families

	2005	2006	2007
Apartments purchased with mortgage loans, number of families	224	645	945
Housing provided in the context of other programmes, number of families	223	182	219
Total number of families provided with housing	447	827	1 164
Company' expenditures, RUR billion	0,4	1,0	1,8



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## Improvement of Working and Recreation Conditions

One of the major objectives of the Company's social policy is the improvement of working and recreation conditions in rotational camps and support bases for production staff. At the moment, there are some 26.6 thousand people living in such camps on a rotational basis, including employees of contractor organisations. There are over sixty camps scattered across the Russian North from Timan and Pechora to Sakhalin. The Company's long-term plans involve reduction of the total number of camps as well as the number of rotational employees; nevertheless, rotational teams will remain economically feasible and, in some cases, the only possible way of maintaining operation. For instance, a new large camp for 700 rotational employees is being built at the large Vankor oilfield being developed since recently.

The Company has adopted a large-scale programme involving renovation, reconstruction, and construction activities in rotational camps for the period till 2017. The programme implementation started in July 2006 with the development and approval of a corporate standard regarding camp infrastructure and quality of facilities. The standard was reviewed in the Company's 2006 Report.

Expenditures related to the implementation of the Company's new standards for rotational camps involving their renovation will amount to RUR 15.9 billion in 2008-2017, including RUR 7.9 billion to be spent in 2008-2012. In 2007, in the context of this programme, the Company built a new camp for 1220 rotational construction workers at the Vankor oilfield, as well as 4 dormitories and 2 canteens within the premises of LLC Severnaya Neft and LLC RN-Purneftegaz; 10 dormitories and a number of canteens were renovated and equipped with new furniture, modern appliances and water treatment equipment. In total, renovation activities were carried out at 180 different facilities.

Another important event that took place in 2007 was the development of the Model Standards for team support bases, working areas, and workshops. In fact, the standard affects daily work of almost all production staff of the Company. The amount of future work required for implementing this standard will be no less and, at certain subsidiaries, even more than the efforts necessary to implement the rotational camps standard. In 2008-2010, the Company is planning to complete a programme for implementation of the corporate standard for office and utility buildings.

Another Company's objective with regard to rotational camps is to ensure safe air trips to those camps for employees. For instance, in 2007 the Company started using two new extra-safe helicopters MI-171 at the Vankor oilfield. The helicopters are based at the Igarka airport, renovation of which will be partially funded by the Company. These approaches will be replicated by other subsidiaries of the Company.

In 2007, new office and utility buildings were constructed in Samara region and Hhanty-Mansi Autonomous Area. At the turn of 2008, the people working at the Radayevskoye oilfield (Samaraneftegaz) moved from an old house built in the 1960's and lacking even basic amenities to a new comfortable two-storey building with the total area of 550 m<sup>2</sup> with spacious changing rooms, shower rooms, light-filled office premises, an air-conditioning system, and a large canteen.





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## Health Programme

The major objective of the Health Programme developed by the Company is to reduce the illness rate by at least 30% between 2006 and 2012. The programme includes:

programme priorities include the introduction of a Corporate Health Standard, development of health care units in the Company's subsidiaries, prevention of illnesses, and application



- annual medical check-ups;
- analysis of illness rate and implementation of specific prevention measures;
- annual vaccination;
- recreation combined with health care;
- promotion and encouragement of a healthy lifestyle;
- maintenance of comfortable and healthy conditions at the workplace.

The overall cost of this programme (including the newly acquired assets) is expected to reach RUR 6 billion in 2008-2012. The pro-

of effective treatment methods, including on-site treatment.

The main areas of the Health Programme expenditures include:

- voluntary health insurance (VHI) for the employees;
- payments for additional health care services;
- financing recreation combined with health care for employees;
- reimbursement of fees charged by sports clubs and physical exercise groups.





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### Health services for employees and their families at the Achinsk Refinery

The Achinsk Refinery employs over 2.2 thousand people. The plant has its own health centre with a medical treatment room, a dental room, a physiotherapy room, and a massage rooms.

The employees of the plant have an opportunity to improve their health at the Zdravnitsa recreation and health improvement centre. In 2007, it was visited by 440 employees and 37 retired employees of the refinery, as well as by 26 employees of third-party organisations. In 2008, it will be visited by 440 employees and 40 retired employees of the Achinsk Refinery, as well as 77 employees of third-party organisations.

70% of the company's employees attend the SHAN sports centre. 350 employees of the Achinsk Refinery and 500 children practice different kinds of sports. Corporate competitions and tournaments are held regularly at the sports centre.

Serious attention is also paid to summer vacations as well as after-hospital rehabilitation of employees and their families.



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## Voluntary Health Insurance

In 2007, over 70 thousand of Rosneft employees participated in the VHI scheme.

At the moment, the collective VHI programme includes the full scope of ambulatory services, general and specialised dental care, scheduled and emergency hospitalisation, as well as a number of after-hospital rehabilitation services. It is expected that by 2012 VHI fees per employee will grow 1.3 times.

## Recreation Combined with Health Care

About 30 thousand employees took advantage of vacation and health care benefits in 2007. It is expected that in 2008 the number of vacations partially sponsored by the Company will increase at least by 1.5 thousand.

The Company's policy involves a number of measures to reduce the maintenance cost of social, cultural, and utility facilities. At the same time, significant recreation and health facilities, as well as summer camps (including those with unique locations on Lake Baikal or Volga) will be incorporated as separate legal entities, while remaining in the Company's possession.

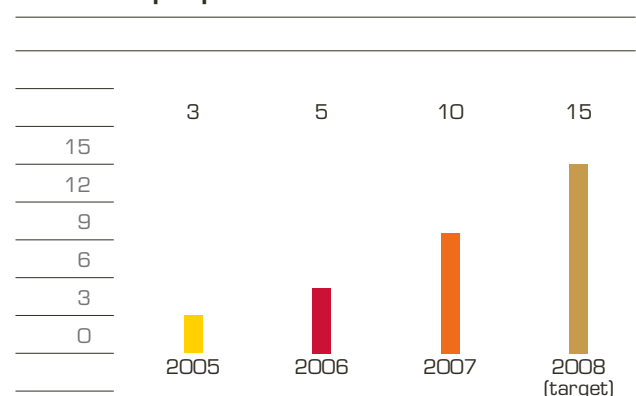
## Promotion of Sports and Healthy Lifestyle

Promotion of a healthy lifestyle is one of the key elements of the corporate Health Programme. Each year, the Company rents gyms and swimming pools for its employees and holds tournaments in different kinds of sports. The Company is currently involved in the construction of five different sports centres for its employees: two in the Far East, two more in Siberia, and one in the South of Russia. Each centre will have swimming pools, gyms, and exercise rooms. These facilities should be completed in 2008-2009.

Another important corporate sports event is the annual multi-stage tournament that was held for the third time in 2007. The tournament includes eight summer sports (mini-football, basketball, volleyball, ping-pong, track and field, weight-lifting, chess, and tug-of-war) and the number of participants is increasing each year.

The first stage of the tournament involves elimination rounds held at individual subsidiaries. The second stage is regional competitions. In 2007, regional competitions were held in Barnaul, Izhevsk, Krasnodar, and Tuapse with 33 teams of subsidiary companies and 924 athletes participating. The final stage of the 3rd Rosneft Corporate Tournament was held in Moscow in August. 12 teams of subsidiary companies, winners of the regional competitions, comprising a total of 500 people took part in the finals. The finals of the 4th Rosneft Corporate Tournament will be held at the end of September 2008 in Sochi.

**Number of tournament participants thousand people**





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## Support of Education. “School-University-Company” Programme

The training of Company’s future employees starts outside its premises, in all kinds of educational institutions. Therefore the Company supports schools, universities, and vocational training centres in all major regions of its operations.

### Rosneft Classes

In 2005, the Company launched a “School – University – Company” continuous training project called. The programme objective is to attract well-educated and skilled youth through a pre-



### Rosneft-classes in the regions of Russia

<b>Khanty-Mansi Autonomous Area</b>	Nefteyugansk, Pyt-Yakh, Poykovsky
<b>Yamalo-Nenetsk Autonomous Area</b>	Gubkinsky
<b>Komi Republic</b>	Usinsk
<b>Sakhalin region</b>	Okha
<b>Samara region</b>	Samara, Syzran, Novokuybyshevsk, Otradny, Pokhivistnevo
<b>Udmurtia Republic</b>	Votkinsk
<b>Krasnodar region</b>	Slavyansk-na-Kubani, Tuapse
<b>Stavropol region</b>	Neftekumsk
<b>Krasnoyarsk region</b>	Achinsk, Turukhansk
<b>Irkutsk region</b>	Angarsk





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university training system (specialised Rosneft Classes) in cooperation with specialised higher education institutions.

Selection and profession orientation of promising young people starts at school through Rosneft Classes. School students who finished the 9th grade go through a selection procedure to join those classes. The Company chooses the best schools in a town for establishing the classes. To enhance the quality of education in Ros-

neft Classes, the Company includes advanced training in specialised subjects, hires professors from local universities, equips classrooms with up-to-date computers and other kinds of equipment, and provides additional training for teachers. For instance, in March 2007 the Company held two workshops in Moscow for teachers working with Rosneft Classes, including a Career Planning course and a course in Professional Orientation Methods Applied by School Psychologists.



In November 2007, the HR Department of Rosneft and the HR department of LLC RN-Yuganskneftegaz organised a training workshop at Nefteyugansk School No.1 for 150 students of newly formed 10th grade Rosneft Classes from Nefteyugansk, Gubkinsky, Pyt-Yakh, Votkinsk, and Poykovsky. The workshop was delivered by experienced trainers from Unity in Diversity training company (St. Petersburg). The students spent two days learning the concepts of corporate culture, self-evaluation, and leadership, identifying formation stages of their teams, and presenting these teams formed in the course of the workshop. All the workshop participants took part in a business game called Key to Career. The main objective of the game was to create an effective team of Rosneft Classes students.



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The outstanding educational level of students studying in Rosneft-classes is proved by the fact that they regularly win interschool contests in relevant subjects. Out of 265 students who graduated from Rosneft Classes in 2007, 264 were admitted to universities.

A special focus is placed on the professional orientation of school students. In Rosneft Classes a special course in Career Planning is taught. The students also get to visit different production sites, meet prominent professionals and young specialists from the oil industry, and get familiar with the business processes of the industry. Rosneft makes efforts to promote a positive image of the company as a future employer among school students. Meetings with the Company's representatives are held in schools on a regular basis and gifted students receive special awards from the Company.

The first Rosneft Classes were established in the Khanty-Mansi Autonomous Area. Currently, such classes are being organised and funded in all priority regions of operations. Rosneft Classes are established primarily in small towns and settlements where the Company is the main employer, and from the early age children are prepared to work for the oil industry. Moreover, in small towns and settlement there is a lack of highly qualified teachers and school students do not always have a chance to get university education. Therefore, the Company helps those students to develop their skills and be able to get admitted by a university.

On September 1st, 2007 a new academic year started in 34 Rosneft Classes in 18 different towns located in 10 different regions of Russia. In three towns – Tuapse, Votkinsk, and Turukhansk – Rosneft Classes were established for the first time this year.

## Cooperation with Universities

The Company and its subsidiaries maintain long-term working relations with a number of universities training specialists for the oil industry. The list of partner universities is available in the 2006 Report. Various kinds of support provided by the Company to the universities include:

- providing financial aid for developing educational infrastructure and programmes, establishing new departments and labs (RUR 30.7 million was spent on this in 2007);
- organising internships and practical training for university students at the Company's plants (in 2007, 2400 students were engaged as interns or trained at the Company's subsidiaries and corporate R&D centres; 900 of them were eventually offered a full-time job within the Company);
- contributing time of the Company's employees to teach classes and workshops;
- organising business games;
- contracting students and teachers to conduct R&D projects for the Company;
- providing various experiential learning opportunities to the students (practical training, externships, long-term internships);
- providing grants to the best professors (recently increased from RUR 30 thousand to RUR 100 thousand) and corporate stipends to the best students (recently increased from RUR 1.5 thousand to RUR 3 thousand).

In addition to successful cooperation with specialised regional universities, the Company has started a practical training programme for 4th and 5th year students (willing to work at the Company's facilities in future) at Rosneft's Corporate Research and Technology Centre. As a result, a young professional who has graduated from a specialised university and comes to work for the Company's subsidiary already has the requisite practical skills.





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Partner universities hold annual Rosneft Days where Company's representatives inform graduates about Rosneft enterprises, career prospects within the Company, and its corporate culture. In 2007, 25 Rosneft Days were held and were attended by some 3500 students.

Cooperating with partner universities, the Company not only works with students getting their

first university degree, but also contracts the universities for delivering corporate trainings and conducting research projects.

### Work with Young Professionals

An important component of the corporate continuous training programme is on-the-job training of young professionals employed by the Company. According to corporate policies, young pro-



In March, a trilateral agreement regarding a joint research programme was signed by Rosneft, Moscow State University of Foreign Affairs (MGIMO), and the French Institute of International Relations (IFRI). The key areas of research include energy security, geopolitics, emissions of carbon dioxide and other greenhouse gases, projected depletion of oil and gas reserves, sociology of the energy sector, as well as technological potential and its development. In the context of the programme, the parties are planning to hold regular roundtable meetings and annual conferences dedicated to the energy issues, participate in the preparation of G8 summits, and publish the White Book of the European energy policy. The parties believe that this agreement and further efforts taken within its framework will help enhance expert knowledge of the international and European energy sector, strengthen the relations between Russian and European scientific and business communities, and maintain traditional friendship and cooperation between Russia and France.



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

professional is a graduate of a full-time university programme, 33 years old or younger, employed by the Company right after the graduation, and pursuing a career in the profession specified in his or her university diploma. As a result of the acquisition of new assets, the number of young professionals in the Company has increased significantly from 1190 in 2006 to 2250 in 2007.

The work with newly employed young profession-

duction to production activities, helping them solve social problems, representing their interests before the management, organising conferences, cooperating with schools and universities together with HR departments, etc.

### The Three Steps Programme

The Company has introduced The Three Steps, a training and development programme for young professionals, which guides their profes-



In 2007, almost 700 Rosneft employees in different regions acted as mentors. Mentorship is a respected activity supported by the Company's incentives. To ensure effective development of the mentorship practice in the Company, in 2007 the HR Department initiated a series of training workshop for mentors. About 160 people completed the Effective Mentor training course 2007.

als is performed in a systematic manner and is based on three corporate standards, including the Young Professionals Standard, the Mentorship Standard, and the Young Professionals Council Standard.

Young Professionals Councils have been established in almost all major subsidiaries of the Company. The main functions of the Councils include assisting young professional during their intro-

sional growth and development throughout the first three years of their employment.

During the first year (the first step), a young specialist adapts to the new working conditions by learning the traditions of the Company and specific subsidiary, and meeting the managers. During the first month, every young professional is assigned to a mentor who helps him or her to draw up a Personal Development Plan.



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During the second year (the second step), young professionals participate in the corporate professional and technical training programme, go through an assessment of their personal and professional qualities, and define their future career prospects. It is obligatory for young professionals to participate in scientific and engineering conferences, where they get an opportunity to demonstrate their ability to come up with innovative solutions. Scientific and engineering conferences are held annually in co-

senting the Company). During the third year (the third step), the Company evaluates the contribution and potential of its young specialists. The evaluation takes into account the results of the obligatory young professional training, the opinions of mentors and managers, as well as performance in scientific and engineering conferences, and professional competitions. Eventually, young specialists with a great creative and leadership potential are identified and included in the Company's candidates pool.



operation with Young Professionals Councils at all major subsidiaries of the Company. During the conferences, young professionals present their projects regarding optimisation of production processes (improving process efficiency, reducing production costs, introducing new working techniques and methods, implementing advanced technologies etc.). In addition to with regional conferences, interregional conferences are held. In 2007, the 2nd Interregional Scientific and Engineering Conference attended by 89 participants was held. Company's young professionals participate in the Fuel and Energy Industry of Russia contest organised in cooperation with the Russian Ministry of Industry and Energy. Out of 89 contest participants who received awards in 2007, 15 young professionals represented Rosneft (a year earlier, 6 winners repre-

In order to assess the management potential of young professional, the HR Department of the Company holds a special business game called Growth Leaders. In 2007, 256 young professionals from more than 50 Company's subsidiaries participated in the game that included several stages (in Nefteyugansk, Moscow, and Otradny in Samara region).

### Social Support of Young Professionals

Young professionals working for the Company may receive allowances, extra payments, and rooms in dormitories or compensation of up to 50% of the rent if they do not have their own apartment. Moreover, the Company provides financial aid to cover kindergarten fees and involves young professional in the corporate mortgage scheme.





## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Personnel Evaluation and Development

### Corporate Training Programmes

Recognising the importance of personnel training as a means of achieving excellent operational performance and ensuring employee commitment, the Company is continuously improving its corporate training system. The training programmes include obligatory training in accordance with the requirements of the Federal Authorities, corporate training in all the key areas of the Company's business, training related to introduction of new technologies, regular train-

ing of employees to increase their qualification level (approximately once in three years) and other types of training.

In 2007, 62.6 thousand employees of the Company participated in various professional training and upgrading programmes, which is 3 times more than in 2006. It is expected that in 2008 74.7 thousand employees will be involved in training and professional upgrading programmes. The Company's expenditures on personnel training programmes amounted to



The first corporate programme called International Business in the Oil and Gas Sector for top managers of the Company and its subsidiaries was successfully implemented in November 2007 by the International School of Economics and Law of MGIMO University in cooperation with the Graduate School of Business of Bodø University College (Norway). In 2007, a new project aimed to provide additional professional education to Company's employees at the I.M. Gubkin Russian State University of Oil and Gas was initiated. Two one-year training programmes were developed, including Manager of an Oil and Gas Enterprise (for employees of business support departments such as lawyers, economists, etc.) and Drilling Supervisor (for employees of subsidiaries).



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

1.2% of the total payroll. By 2020, the Company is planning to increase those expenditures to 2-2.5% of the respective payroll value.

Corporate trainings are delivered in professional educational institutions having partnership agreements with the Company, in Company's own training centres and classrooms, as well as in other countries.

The development of subsidiaries' own training infrastructure continued in 2007. An audit of their training facilities was conducted; training infrastructure development plans and methodological recommendations regarding operating and equipping training centres were prepared for

## Personnel Evaluation

The Company successfully uses its current personnel evaluation system since July 2005. The Company adopted advanced evaluated methods used by the world's largest companies. The assessment system helps use the potential of each employee as efficiently as possible. Evaluation is used when recruiting new personnel, promoting Company's employees, and selecting employees for the Candidates Pool or for expensive training courses.

The Company applies the SHL testing method to evaluate candidates for positions involving analysis of business information. Since March

## Regional Training Centre in Arkhangelsk

The corporate training centre in Arkhangelsk was established in 2006, and in late summer 2007 it moved to a new renovated building. Thus, the centre received its own training facilities, which contributed to the improvement of the training quality.

In one year alone, 360 people took part in training programmes at the centre. The centre has developed three training courses, including Development of Personnel Management Skills, Corporate Culture Development, and Modern Service and Safety Standards for Refuelling Stations. All these courses are part of the corporate training standard. Employees of two other subsidiaries, LLC RN-Murmansknefteprodukt and LLC RN-Smolensknefteprodukt, also attend training programmes at the Arkhangelsk regional training centre.

Future centre development plans include additional investments in the establishment of training grounds for practical exercises and involvement of the most experienced Company's employees and professors of the Oil and Gas Institute of Arkhangelsk State Technical University as teachers at the centre.

most subsidiaries. At the moment, almost all subsidiaries in oil production sector have their own training centres and classrooms, while new training classrooms are being opened in refining subsidiaries (16 classrooms were established in 2007).

2006, the Company has been introducing Assessment Centre methods based on the approved competency model.





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## Candidates Pool Programme

The Company's Candidates Pool Programme involves systemic activities aimed at identifying the best and most promising employees, providing appropriate training for them, and promoting them to the key executive positions. To the Company, the Candidates Pool Programme means the

Candidates for the 2nd level executive positions are lower-level managers selected and trained for specific middle-level management positions (heads of oil and gas production departments, workshops and production units, and their assistants).



availability of high-quality human resources and better business performance. To employees, the Programme means clear opportunities for personal development and career growth.

The Company's Candidates Pool includes candidates for executive positions of the 1st, the 2nd, and the 3rd level.

Candidates for the 1st level executive positions are middle-level managers selected and trained for specific top management positions (vice-presidents, heads of the Company headquarters' departments, chief executive officers and deputy directors of subsidiaries, as well as other similar positions).

Candidates for the 3rd level executive positions – specialists (including young professionals) selected and trained for specific lower-level management positions.

The Candidates Pool had been established in 2006; in December 2007, the Company adopted the respective corporate standard. By the end of 2007, the Company had formed a pool of candidates for the 1st level executive positions and started building a pool of candidates for the 2nd level executive positions. In 2008, the Company will start building and evaluating a pool of candidates for the 3rd level executive positions.



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## “Best Professional” Contest

The “Best Professional” contest is one of the most popular corporate contests. It includes several stages, starting with identification of best professionals in individual workshops and production units and ending with the

final competition. A detailed description of the contest is available in the 2006 Report.

## Development of the Corporate Culture

From August to September 2006, the Company held its first sociological survey, unprecedented in terms of its scope and coverage, involving studies of the corporate culture, internal communications, and the employee satisfaction level (described in detail in the 2006 Report). The research was the first step on the way to a new corporate culture shared by the entire Company. Based on the survey results, the Company embarked on the implementation of a programme aimed at the enhancement of the corporate culture and improvement of the employee satisfaction. The key projects of the programme include:

- development and implementation of the internal communications standard;
- improvement of the employee motivation system through development of a unified list of position grades for the entire Company, ranking of positions according to their level of difficulty and responsibility, and development of key performance indicators to evaluate managers’ performance;
- Code of Business Conduct;
- personnel evaluation system and the candidates pool;
- improvement programme for rotational camps and support bases;
- Corporate Museum.

In 2008, the Company will conduct a new survey to see whether it has chosen the right priorities and make the necessary adjustments.

### Code of Business Conduct

In 2007, the Company started to develop its Code of Business Conduct that will present the Company’s mission and values, and will outline the main rules of employee conduct and interaction. The Code will regulate employee conduct in situations involving ethical risk (conflict of interests, disclosure of confidential information, gifts, etc.). The Code will describe such situations and define course of action in them.

During the first stage of the Code development, the Company’s managers were interviewed. The next step will be to discuss the draft Code with the Company’s employees and then finalise the document.

### Corporate Museum

On December 14th, 2007 the Company held the official Corporate Museum opening ceremony. The Museum is located in the Company’s Moscow office at Sofiyskaya Naberezhnaya. The main purpose of the Museum is to preserve material evidence of the Company’s history, develop its traditions and fundamental corporate values, as well as provide access to the resources of the corporate culture as a basis for professional activities, creativity, and development.



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Local Community Engagement and Contribution to the Socio-Economic Development of the Regions of Operations

### Cooperation Agreements with Regions and Financial Support to the Local Infrastructure

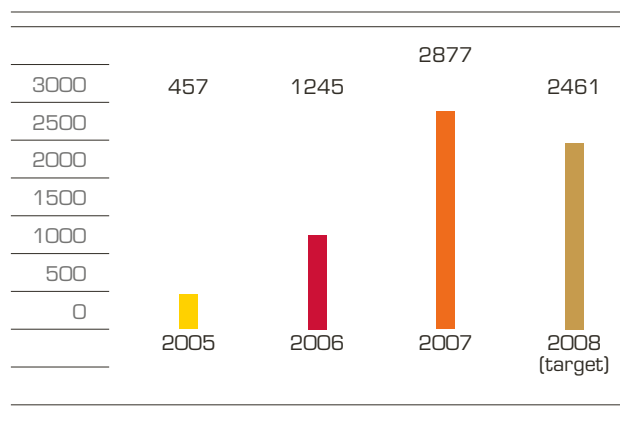
In 2007, expenditures on investments into regional infrastructure, charity and sponsorship comprised more than a quarter of the Company's overall social costs. The Company concludes cooperation agreements with in the governments of its regions of operations; these agreements involve investments into the infrastructure of towns and villages, construction of roads, schools, health care institutions, cultural and sports facilities. The agreements also provide for certain benefits for the Company: by investing significant amounts into various social projects, the Company expects to receive tax benefits envisaged by the legislation.

In 2007, expenditures incurred in the context of socio-economic cooperation agreements with regional authorities increased 2.3 times compared to 2006. This can be attributed to the acquisition of new assets and expansion of the Company's area of operations (from 22 to 64 regions), the fulfilment of obligations associated with the license agreements for the Yamalo-Nenetsk Autonomous Area (worth RUR 1148.5 million), as well as the Company's desire to increase its involvement in the socio-economic development of the regions where the Company's subsidiaries are local economic mainstays.

By the end of 2007, the Company had concluded cooperation agreements with the governments of a number of regions, including Khanty-Mansi and Yamalo-Nenets Autonomous Areas, Komi Republic, Udmurtia Republic, Krasno-

yarsk, Primorie, Krasnodar, Stavropol, Sakhalin, Irkutsk, and Samara regions. In the Yamalo-Nenets Autonomous Area, the social policy of the Company is defined by the terms of a license agreement. Draft agreements have been drawn up for Kamchatka and Khabarovsk regions, Chechen Republic, and St. Petersburg.

### Expenditures under socio-economic cooperation agreements with regional authorities mln RUR



In the recent years, the Company has been providing special support to the Chechen Republic. In 2007, it restored a Cultural Centre and a park in Grozny; it is also has been building residential houses in the city. The Company has renovated some roads and water pipelines and is continuing to provide settlements of the republic with gas mains.

The Company pays a lot of attention to the eastern regions of Russia. For instance, in recent years, the Company has been engaged in a number of large-scale social programmes



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

in the Okhinsky and Nogliksky districts in the northern part of the Sakhalin Island. Rosneft has already invested over RUR 2 billion in the infrastructure of these two districts. In 2007, the Company was renovating old town roads and building new ones, and continued with the construction of two sports centres.

In the Yamalo-Nenets Autonomous Area, the Company has been financing the construction of the Neftyanik Recreation Centre in Gubkinsky, the National Culture Centre in Tarko-Sal,

and four duplex houses in Krasnoselkup and Tolka villages for health care staff.

### Charity and Sponsorship

The funds to be spent on charitable aid and sponsorship are included in the business plan of each subsidiary of the Company. In 2007, the overall spending of the Company subsidiaries related to charity and sponsorship was about RUR 277 million. The funds were used to support educational, culture, sports, and health care institutions, finance social organi-



### Construction of social facilities in the Khanty-Mansi Autonomous Area

The largest oil-producing facility of the Company, LLC RN-Yuganskneftegaz, is located in the Khanty-Mansi Autonomous Area. Most residents of Nefteyugansk are directly or indirectly involved with its operations. Therefore, the Company pays special attention to the improvement of living conditions and recreation facilities in this town. The largest projects implemented jointly by the Company and the government of the Khanty-Mansi Autonomous Area is the construction of an entertainment centre with the total useful area of 27 thousand m<sup>2</sup> (the largest in the country) comprising several swimming pools, a water park, and a number of auditoriums, each one seating 300 people. Another major project implemented jointly by the Company and the regional government involves integrated landscaping and beautification of Nefteyugansk. The Company has allocated RUR 600 million for this project. The project includes renovation of roads and engineering networks, pavement of sidewalks, and cleaning of house yards. One more important project already completed by the Company involved development of Seliyarovo village. In 2007, the Company spent RUR 40 million on this project. The project is described in detail in the 2006 Report.





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sations and orphanages, provide help to those with disabilities and veterans, as well as contribute to the development of the cultural heritage and provide assistance to other activities.

Based on the resolutions made by the Management Board of the Company in 2007, RUR 582.2 million was allocated for charity and sponsorship projects, including:

- social development in Vilyuchinsk, Kamchatka region (RUR 267 million),
- development of the Olympic movement (RUR 126 million),
- construction of a water conduit and reconstruction of the central avenue in Anapa (RUR 60 million),
- charity contributions to the construction of a temple in Votkinsk (RUR 20.3 million) and purchasing of a computerised tomographic scanner (RUR 20 million) in Udmurtia.

Thus, in 2007, the overall charity and sponsorship spending amounted to RUR 860 million.



### Victory Day aid to veterans in the Far East

On the Victory Day, LLC RN-Vostoknefteprodukt organised the Great Victory fundraising campaign. The Company suggested all the drivers in the region to fill the tank at any of its gas stations during the specified period with 20 kopecks off each litre purchased to be transferred to local veteran organisations.

The results surpassed all expectations. After the Great Victory campaign, over RUR 400 thousand was transferred to the accounts of different veteran organisations.

The money went to the veterans organisations of Amur Region (around RUR 15 thousand), Komsomolsk city (around RUR 38 thousand), the Jewish Autonomous Area (around RUR 17 thousand), Primorie Region (around RUR 118 thousand), Sakhalin Region (around RUR 148 thousand), and Khabarovsk Region (around RUR 78 thousand).





## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Charity, sponsorship, and financial aid by Samaraneftgaz

In 2007, OJSC Samaraneftgaz concluded cooperation agreement with the local authorities of 26 municipalities in Samara region. The Company invested RUR 95.4 million in the Programme for Socio-Economic Partnership and Addressing Environmental Interests.

District	Major projects	Investments
Borksy district	Installation of individual heating systems in 8 houses (138 apartments) in Novy Kutuluk village; cleanup and equipping of a water spring site in Bereznyaki village	7.2 RUR mln.
Hinel-Cherkassky district	Reconstruction of water treatment facilities	8.4 RUR mln.
Neftegorsky district	Installation of water treatment equipment in 3 local schools; cleaning of the Osinovoye lake; purchasing of a garbage truck and an exercise machine; development of design documentation for reconstruction of the sewage collector	7.1 RUR mln.
Hrasnoarmeysky district	Construction of water pipelines in the settlements of Sofinsky, Butovsky, and Novaya Vyazovka; renovation of the ambulance station; construction of a pump station for the sewage system	4.9 RUR mln.
Pestravsky district	Renovation of the local hospital; renovation of cultural centres in Pestravka, Teplovka, and Maiskoye villages; renovation of a sports school in Pestravka village	9.0 RUR mln.
Hrasnoyarsky district	Launching new water treatment facilities, sewage facilities, and water intakes	6.0 RUR mln.

Samaraneftgaz provided RUR 1.6 million worth of charitable aid in 2007 including:

- summer vacation in the Salyut camp and New Year's gifts for children from the Bogdanovsky orphanage;
- an exercise machine for the Podrostok teenage club (Neftegorsk);
- toys for the Kolosok kindergarten (Bolsheglushitsky district);
- furniture and equipment for kindergartens (Shentalinsky district);
- an ECG monitor for the central hospital (Neftegorsk);
- hot-air heaters for the Svetlyachok kindergarten (Bezenchuksky district).



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Supporting Indigenous Communities of the North

According to the Russian legislation, providing assistance to small indigenous peoples of the North is an obligatory condition of license agreements permitting production of hydrocarbons in the areas traditionally occupied by those peoples. The Company works to establish good

- stipends to students of specialised educational institutions;
- construction of residential buildings and social facilities;



relations with indigenous communities based on mutual trust and respect, and engages with these communities over the vast areas of the Russian North. The Company practices various forms of assistance and cooperation with small indigenous peoples, including:

- monetary and in-kind compensation for land use;
- health care services for indigenous population;
- sponsorship of social activities.

The relations between the Company and indigenous communities are traditionally set forth in respective documents. The types of support provided by LLC RN-Yuganskneftegaz and LLC RN-Purneftegaz to the small indigenous peoples were described in the 2006 Report.



## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES



### Support to small indigenous peoples of the North by Vankorneft

The development of the Vankor oilfield in Krasnoyarsk Region is accompanied by large investments in the areas of operations, including support provided to small indigenous peoples of the North.

The agreement concluded by Rosneft and municipal authorities of Turukhansky District (Krasnoyarsk Region) in 2006 provided for RUR 48 million to be invested in a programme for social development of indigenous communities. The programme included construction of an ethnic residential school in Farkovo village (RUR 20.5 million), purchasing of computers and sports equipment for schools, organisation of summer vacations for school children, and other activities. In 2007, the amount of investments in the Programme was increased to RUR 53.8 million, including RUR 31.5 million to be invested in construction of a residential school in Farkovo.

The Company is also involved in a number of other programmes, including the Development of the Social Infrastructure in the Turukhansky District, the Long-Term Improvement of Children's Health, and some other activities.





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## SECTION 8: EMPLOYEE RELATIONS AND SUPPORT OF LOCAL COMMUNITIES

## Supporting Sports

The Company supports sports activities not only within the framework of its social policy. Rosneft energetically contributes to the development of sports and physical exercise in its regions of operations by investing funds in construction and reconstruction of sports facilities. Through its subsidiaries the Company helps to develop children's sports in the regions. Examples of such support are provided in the 2006 Report.

In the Company's regions of operations, competitions for Rosneft prizes and for prizes sponsored by its subsidiaries are organised. For example, the International Rosneft Prize Handball Tournament was held in Krasnodar in July. In November 2007, Rosneft sponsored the Russian tennis team in the finals of the Davis Cup where Russia competed against the USA.

### Sports sponsorship by RN-Severnaya Neft

LLC RN-Severnaya Neft is the largest sponsor of sports events in Usinsk also contributing to the development of sports in the Komi Republic in general. For several consecutive years, the town has been awarding the company with its Success Award in the Charity in Sports and Physical Exercise category.

In the first place, Rosneft and its subsidiary have contributed greatly to the establishment of favourable conditions for sports and fitness in Usinsk. The subsidiary has established its patronage over four major municipal sports facilities (Neftyanik sports centre, Usinsk swimming pool, skiing track, and hockey stadium), as well as the Sokol hockey team and the Amateur Hockey Club.

RN-Severnaya Neft financed the renovation of the Neftyanik sports centre and the hockey stadium. It also buys high-quality inventory and equipment for sports clubs on a regular basis. Rosneft and its subsidiary are financing the renovation of the swimming pool including installation of a modern water treatment system and construction of a new entrance. The subsidiary on a regular basis organises different town and republican competitions and sports events involving famous Russian athletes.



## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

# CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPEECA/API indicator	Report section/pages
<b>Strategy and analysis</b>			
Statement of the senior person who makes decisions in the organisation that publishes the report, regarding the importance of sustainable development for the organisation and its strategy.	1.1	Brief summary of report material and statement of the senior Company management	Pages 4-7
Characteristics of key impacts, risks and opportunities.	1.2		Pages 26-32
<b>Organisation characteristics</b>			
Name of organisation	2.1		Page 132
Main brands, types of products/services	2.2	Main types of products and services	Page 16
Functional structure of the Company, including the main subdivisions, subsidiaries, dependent and joint enterprises	2.3	Operation structure, divisions, subsidiary and joint enterprises	Annual report-2007, pages 24-25; <a href="http://www.rosneft.ru/about/Operational-Structure/">http://www.rosneft.ru/about/Operational-Structure/</a>
Location of the organisation headquarters	2.4		Page 132
Number of countries, where the organisation performs its activities, and countries, where the core activities are performed or which are especially significant with respect to issues of sustainable development, covered by the report	2.5	Countries of the Company's activities	Page 16
Nature of property, business legal structure	2.6		The Company is an open joint-stock company in accordance with the Russian legislation. Place of the Company's registration is the Russian Federation.
Markets where the Company is present (including geographic breakdown, serviced sectors and categories of consumers and beneficiaries)	2.7		Page 16 Annual report-2007, Pages 58-63
Scale of the organisation	2.8	Size of the reporting organisation	Pages 16-17

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
Significant changes in the operation of enterprises for the reporting period	2.9	Significant changes in the size, structure, property of the Company for the reporting period	Page 21
Awards, granted for the reporting period	2.10		Page 29 Page 69, 82 Pages 89-91
<b>Report parameters</b>			
Reporting period to which the submitted information is pertained	3.1		Page 13
Date of publication of the last preceding reports (if any published)	3.2		H2, 2007 <a href="http://www.rosneft.ru/attach/O/O2/68/social_booklet_RUS.pdf">http://www.rosneft.ru/attach/O/O2/68/social_booklet_RUS.pdf</a>
Reporting cycle	3.3		annually
Contact information for questions regarding the report or its contents	3.4		Page 132
Process of report content determination.	3.5		Page 10
Report borders (for example, countries, subdivisions, subsidiary companies, leased capacities, facilities, joint enterprises, suppliers).	3.6		Page 13
Any restrictions of report coverage or borders	3.7		Page 13
Grounds for inclusion of data on joint enterprises, subsidiary companies, lease of productions, etc. in the report, which can impact on comparability with the previous report.	3.8		Page 13
Data and calculation measurement methods, including considerations and techniques used for preparation of indicators and other information, included in the report	3.9		Page 13
Description of the meaning of any restatements of data, given in previous reports, and also grounds for such restatements (for example, mergers/takeovers, changes in reporting periods, business nature, evaluation methods)	3.10		No changes or updates in the wording have been made
Significant changes regarding previous reporting periods in the field of coverage, borders or measurement methods, used in the report	3.11		Page 13

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPIECA/API indicator	Report section/pages
Table, indicating the location of standard elements in the report	3.12		Page 122
Policy and applied practical approaches with respect to external report confirmation.	3.13		Page 11
<b>Management, obligations and cooperation with concerned parties</b>			
Company management structure, including the main committees as part of the top executive body, responsible for particular tasks	4.1	Management structure	Pages 36-37
Is the chairman of the top executive body simultaneously the executive manager of the Company? If yes, then what is the role of this manager in the Company management; what are the reasons for such state of things?	4.2		Page 36
Indicate the number of independent members of the top executive body and/or members, not pertained to the executive Company management	4.3		Page 36
Mechanisms, using which stockholders or organisation employees can guide the activity of the top executive body or give it recommendations	4.4		Pages 39-40
Connection between payments to members of the top executive body, representatives of the top executive management and senior managers (including retirement benefits) and results of organisation activities (including social and environmental results).	4.5		The executive performance-based motivation and remuneration policy is being developed
Existing processes in the top executive body, intended to prevent conflicts of interest.	4.6		<a href="http://www.rosneft.ru/investors/information/charter/">http://www.rosneft.ru/investors/information/charter/</a> . Report-2006, pages 62-63
Processes for determination of qualifications and competence of the top executive body members to determine organisation strategy on economic, environmental and social aspects of sustainable development	4.7		<a href="http://www.rosneft.ru/investors/information/charter/">http://www.rosneft.ru/investors/information/charter/</a> ; Report-2006, page 54
Mission, statement of values, corporate conduct codes, developed by the Company, and significant from the point of view of economic, environmental and social performance, and also the extent of their practical implementation.	4.8	Principles, policies, mission, Management codes	Report-2006, page 42, The corporate code of conduct; <a href="http://www.rosneft.ru/investors/information/charter/">http://www.rosneft.ru/investors/information/charter/</a>

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
Processes, used by the top executive body to supervise the way the organisation estimates its economic, environmental, social performance and manages it, in particular following international standards and corporate conduct codes.	4.9	Management systems	Pages 36-37
Processes of estimating own performance by the top executive body, in connection with economic, environmental and social results of the organisation's activities.	4.10		The personal performance appraisal procedure for executives is being developed
Explanation of the fact – does the organisation use the precaution principle and in what way?	4.11		Page 68
Developed by external parties, economic, environmental, social charters, systems of principles and other initiatives, joined or supported by the organisation	4.12		Pages 38, 49
Membership in associations (for example, branch ones) and/or national and international interests organisations.	4.13		Page 49
List of concerned parties, cooperated with by the organisation	4.14	Key concerned parties	Pages 39-44, 70
Grounds for identification and selection of concerned parties for the purpose of further cooperation	4.15		Page 38
Approaches to cooperation with the concerned parties, including frequency of cooperation on forms and concerned groups	4.16	Principles, policies	Pages 39-44
Key issues and interests, raised or identified during cooperation with the concerned parties and the fact, how the company took these issues and interest into consideration	4.17		Pages 45-48
<b>Economic performance indicators</b>			
Data regarding approaches in the field of management		Principles, policies, management systems	Page 52
Produced and distributed direct economic value, including proceeds, operational costs, payments to employees, donations and other investments to communities, undistributed profits, payments to suppliers, capital and the state	EC1		Page 56
Tax costs		ECO-1	Page 55
Paid dividends and redeemed shares		ECO-2	Page 54
All payments to personnel, including rewards, for the reporting period		ECO-A2	Page 53



## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
Capital expenditure		ECO-3	Page 53
Provision of organisation obligations, associated with the retirement benefit plan with set benefits	EC3		Page 54
Significant financial support, obtained from governmental authorities	EC4		Page 54
Range of ratios of initial standard wages and set minimum wages in essential regions of the organisation's activities	EC5		Page 57
Policy, practical approaches to purchases from local suppliers and the share of such purchases in essential regions of organisation activities	EC6		Pages 42, 58
Procedures for local resident employment and the share of top managers, employed from the local residents, in essential regions of the Company activities	EC7		Page 58
Development and impact of investments in infrastructure and services, rendered primarily for public benefit, by commercial, natural or charitable participation	EC8		Pages 59, 104, 114-121
Understanding and description of significant indirect economic impacts, including the field of influence.	EC9		Pages 58-59
<b>Economic performance indicators</b>			
Data regarding approaches in the field of management		Principles, policies, management systems	Pages 68-70
Environmental management systems		ENV-6	Pages 68-70
Total amount of taken water with a breakdown on sources	EN8	ENV-A7 (Water consumption from external sources)	Page 75
Share and total volume of repeatedly used and recycled water	EN10		Page 75
Initiatives on reducing greenhouse gas emissions and achieved reduction	EN18		Page 74
Associated gas (including that burned in flames)		ENV-4	Page 74
Ozone depleting emissions with indication of weight	EN19		Ozone-depleting substance is not used on industrial scale
NO <sub>x</sub> , SO <sub>x</sub> and other significant substances, air emissions with indication of type and weight	EN20		Page 73
Other production air emissions		ENV-A6	Page 73
Total volume of discharge and quality of effluents	EN21		Page 75

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
Total weight of waste broken down into type and way of handling	EN22		Page 78
Hazardous waste		ENV-A3	Page 78
Non-hazardous waste		ENV-A4	Page 78
Total amount and volume of significant spillages. Environmental hydrocarbon spillages	EN23	ENV-1	Page 79
Initiatives on mitigation of environmental impact of products and services and scale of impact mitigation	EN26		Pages 62-63
Total costs, associated with environmental protection, with breakdown on the cost types	EN30		Page 72
<b>Labour organisation approach performance indicators</b>			
Data regarding approaches in the field of labour organisation management		Principles, policies, management systems	Pages 39, 88, 89, 92, 93
Distribution of the total amount of manpower on the type of employment and region	LA1		Page 94
Payments and benefits, provided to employees, working full-time, which are not provided to employees, working on a part-time or temporary basis.	LA3		Pages 95, 96
Share of employees, covered by collective bargain agreements.	LA4		Page 39
Minimum period (periods) of notification on the issues of significant changes in the activity of a business unit. Is it determined in the collective bargain agreement?	LA5		In accordance with the Labour Legislation of the Russian Federation
Data regarding approaches in the field of health management		Principles, policies, management systems	Page 81
Management systems in the field of health and safety		H&S-1	Pages 81, 100, 101
Level of occupational traumas, level of occupational diseases, factor of lost time and factor of absenteeism, and also total number of fatal instances, connected with work, broken down into regions	LA7	H&S-4 (Indices of occupational traumatism and lost time due to illness)	Page 81 (partially)
Representation of health and safety issues in the official agreements with personnel and trade unions.	LA9		Page 81
Participation of employees in the development of safety programmes and actions		H&S-2	Pages 81, 92
Programmes and actions to reduce risks for employees' health at working places		H&S-3	Pages 100, 101

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
Programmes for development of skills and education over life, aimed to support the ability of employees to gain employment, and also render them support after retirement	LA11		Pages 110-111
Opportunities for the local community's employees		SOC-A3	Page 56, 57
Education and development		SOC-5	Pages 107-112
Share of employees, for whom there are periodic checks of performance and career development	LA12		Page 111
<b>Performance indicators: human rights</b>			
Data regarding approaches in the field of management		SOC-1 (human rights)	Page 88
Absence of discrimination and equal opportunities		SOC-4	Page 88
Practices concerned with labour relations		SOC-7	Pages 88, 92, 93
Activity, within which the right to use freedom of association and conduct of collective negotiations can be subject to significant risks, and actions, undertaken to support these rights.	HR5		In the reporting period there was no case when the rights of freedom of associations and collective bargaining would have been at a significant risk
Activity, within which there is a significant risk of employment of children and actions, undertaken to eliminate employment of children	HR6		Page 88
Activity, within which there is a significant risk of forced or mandatory labour and actions, undertaken to participate in elimination of forced or mandatory labour	HR7		Page 88
<b>Performance indicators of cooperation between the Company and society</b>			
Data regarding approaches in the field of management: Company's social policy in the areas of the Company's presence		Principles, policies, management systems	Pages 42, 114
Nature, field of coverage and performance of any programmes and practical approaches, evaluating the impact of the organisation's activity on communities, and managing this impact, including commencement of activity, its implementation and completion	SO1		Pages 56, 114-120
Connections with communities		SOC-8	Pages 114-120
Social investments		SOC-A4	Page 114
Local population		SOC-A6	Pages 118, 119

## CORRESPONDENCE TABLE FOR MANAGEMENT REPORT GRI-3

Indicator definition	GRI indicator	IPECA/API indicator	Report section/pages
<b>Performance indicators: responsibility for products</b>			
<b>Data regarding approaches in the field of management</b>			Pages 62
Stages of life cycle, where the impact on life and safety of products and services are evaluated to identify opportunities for improvement, and share of significant products and services subject to such procedures.	PR1		Pages 62, 63 (partially)
Procedures pertained to consumer satisfaction, including results of investigations on the evaluation of consumer satisfaction.	PR5		Pages 62, 64, 65

# Independent Assurance Report on the Sustainability Report 2007 of OJSC Oil Company Rosneft to the Management of OJSC Oil Company Rosneft

## Engagement and responsibilities

At the request of OJSC Oil Company Rosneft (hereinafter Rosneft) we performed an assurance engagement on the "Sustainability Report 2007" of Rosneft (hereinafter the Report). The objective of this assurance engagement is to obtain a limited level of assurance on the accuracy of assertions and data related to sustainability performance<sup>1</sup> and coverage of respective material issues<sup>2</sup> within the Report.

Our responsibility in performing our assurance activities is to the management of Rosneft only and was performed in accordance with procedures agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

The management of Rosneft is responsible for the preparation of the Report and the information therein in accordance with the criteria mentioned below. 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 policies that include the reporting principles of the G3 Sustainability Reporting Guidelines issued by the Global

<sup>1</sup> Sustainability performance refers to an organisation's total performance, which might include its policies, decisions, and actions that create social, environmental and/or economic (including financial) outcomes (AA1000AS, AccountAbility, 2003)

<sup>2</sup> For the purpose of the assurance engagement the term "Material issue" is used as defined in the GRI G3 Guidelines

Reporting Initiative (hereinafter the GRI G3 Guidelines) and using measurement methods and estimates that are reasonable in the circumstances. The choices made by the management, the scope of the Report and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out in section 'Approach to the reporting and report boundaries' on pages 8–13 of the report.

## Limitations of the assurance engagement

The limitations of the assurance engagement are as follows:

- Any independent statements made by third parties within the text of the Report related to Rosneft's sustainability performance were not included in the scope of the assurance engagement;
- The conclusions on Rosneft's self-declaration about Application level of the GRI G3 Guidelines as well as compliance of the Report with and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting developed by International Petroleum Industry Environmental Conservation Association and American Petroleum Institute (IPIECA/API) were not included in the scope of the assurance engagement;
- The scope of our work was limited to procedures at the central office level. We did not perform any procedures aimed to verify the accuracy of the primary quantitative performance data collected by the sites, which is why we refrain from drawing any conclusions on accuracy of the quantitative performance data in the Report.



## Criteria

We assessed the Report against the GRI G3 Guidelines and internal reporting policy of Rosneft. We believe that these criteria are suitable given the purpose of our assurance engagement.

## Scope of the assurance engagement

We conducted the assurance engagement in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') Assurance Engagements Other than Audits or Reviews of Historical Financial Information and the Code of Ethics, issued by the International Federation of Accountants, which includes requirements in relation to our independence.

We have performed the procedures deemed necessary to provide a basis for our conclusions. Our principal procedures to obtain a limited level of assurance were the following:

- Interviews with representatives of Rosneft's management engaged in managing sustainability operations as well as in preparing the respective reporting;
- Analysis of key documents related to Rosneft's sustainability performance and reporting;
- Analysis of Rosneft's stakeholder engagement activities via reviewing the minutes of stakeholder meetings conducted by Rosneft;
- Benchmarking of the Report against sustainability reports of selected international and Russian peers of Rosneft;
- Review of a selection of external publications with respect to Rosneft's sustainability activities in 2007;
- Based on the procedures described above compilation of a list of material issues and analysis of their reflection in the Report;
- Assessment of the reporting principles used by Rosneft;
- Collection on a sample basis of evidence sub-

stantiating the qualitative and quantitative information included in the Report.

## Conclusions

On the basis of the procedures performed and in accordance with the terms of reference for the assurance engagement we provide the following conclusions on the Report. Our conclusions should be read in conjunction with the objectives and the limitations of the assurance engagement as described above.


## Does the Report cover material issues?

- With the exception of the subject area listed below we are not aware of any material issues concerning Rosneft's sustainability performance which have been excluded from the Report.
- In our view Rosneft should have covered the information on issues related to operations in environmentally sensitive areas and the information related to fatalities.

## Do the assertions and data accurately reflect Rosneft's sustainability performance?

- Nothing has come to our attention that causes us to believe that the assertions made in the Report with regard to Rosneft's sustainability performance contain material misstatements.
- Nothing has come to our attention that causes us to believe that the quantitative data has not been properly collated from information available at the central office level.

**Ernst & Young (CIS) B.V.**  
**Moscow**  
**28 July 2008**

		2002 in accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report externally assured				
Optional	Third Party Checked					Report externally assured		Report externally assured
	GRI Checked							

## QUESTIONER

## Questioner

Dear readers! Rosneft appreciates your feedback on the 2007 Report. We would be grateful for you filling in the questionnaire below. Your feedback will be considered in course of preparation of our next sustainability report.

1. Do you consider the information presented in the 2007 Report useful? Yes \_\_\_\_\_ No \_\_\_\_\_

2. Would you be interested in receiving the next sustainability reports of Rosneft? Yes \_\_\_\_\_

No \_\_\_\_\_ If yes, please, specify your name and address.

\_\_\_\_\_

\_\_\_\_\_

3. What additional issues should be addressed in the next sustainability reports of Rosneft?

\_\_\_\_\_

\_\_\_\_\_

4. Which sections of the 2007 Report have you found most informative and which of them require further improvement? (Please provide your comments) ?

\_\_\_\_\_

\_\_\_\_\_

5. Please provide your assessment of the 2007 Report with respect to

Completeness of information	5	4	3	2
Confidence in information	5	4	3	2
User friendliness	5	4	3	2
Design and structure	5	4	3	2
Style	5	4	3	2

6. Please specify your status.

- Shareholder
- Representative of a financial/investment company/bank
- Employee of Rosneft's and/or its subsidiary
- Employee of a supplier company
- Employee of a consumer company
- Representative of a public agency
- Mass media representative
- Resident of Rosneft's region of operation
- Other

You are kindly requested to send the completed questioner to the Rosneft CSR Department.  
Fax: (495) 229-47-68, email: [e\\_karpova@rosneft.ru](mailto:e_karpova@rosneft.ru)

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## ABBREVIATIONS

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**Report – 2007** – report on Rosneft sustainable development in 2007.

**Report – 2006** – report on Rosneft sustainable development in 2006. Available at the Company's internet site

[http://www.rosneft.ru/docs/downloads/RN\\_Otchet\\_LR.pdf/](http://www.rosneft.ru/docs/downloads/RN_Otchet_LR.pdf/)

**Rosneft, Company** – abridged name of OJSC 'Oil Company 'Rosneft'.

**GRI Guidance** – Management of reporting in the area of the sustainable development developed by the international organisation 'Global Reporting Initiative', Version 3.0.

**Annual report – 2007** – report on the Company's activities in 2007. Available at the Company's site

<http://www.rosneft.ru/Investors/information/annualreports/report2007.html>

**HSE IMS** – Health, Safety & Environment Integrated Management System.

**APG** – associated petroleum gas.

**FEC** – fuel and energy complex

**HUI** – housing and utilities infrastructure

**RS** – refuelling station

**RC** – refuelling complex

**MES** – Ministry of Emergency Situations

**CRDC** – corporate research and development centre

**STC** – scientific and technical conference

**NSF 'Neftegarant'** - non-state superannuation fund 'Neftegarant'

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## CONTACT INFORMATION FOR FEEDBACK ON REPORT ISSUES AND COMMENTS

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**Corporate website:**

<http://www.rosneft.ru>

<http://www.rosneft.com>

**Feedback**

You can contact the Corporate Culture Department on any issues associated with the report on the sustainable development of our company.

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