



ROSNEFT

OIL COMPANY

OPEN JOINT STOCK COMPANY

APPROVED

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COMPANY SUSTAINABILITY POLICY

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INTRODUCTORY NOTES

INTRODUCTION

THE POLICY is developed taking into account the Company development strategy and is aimed at its support and assistance in implementation of the Company's strategic objective — to become one of the three world's leading energy companies in terms of efficiency and scale of operations, while taking into account high standards of environmental and industrial safety, social responsibility and corporate governance.

OBJECTIVES

The objective of this **POLICY** is to systemize Company's approaches to sustainability. **THE POLICY** should help to regulate and unify activities related to sustainability in all subsidiary and dependent entities.

TASKS

The tasks of this **POLICY** are:

- To establish general principles for sustainability activities of the Company, that would serve as the basis for establishing goals and objectives in the sphere of sustainability, as well as for assessment of efficiency of relevant activities.
- To identify key sustainability activity areas of the Company.
- To establish general principles and directions for Company activities for each of the identified areas.
- To establish general sustainability reporting principles.

SCOPE

This **POLICY** covers all workers of structural divisions of OJSC "Oil Company "Rosneft" and subsidiary entities of OJSC "Oil Company "Rosneft".

Clauses of the **POLICY** become obligatory for subsidiary and dependent entities of OJSC Oil "Company "Rosneft" upon their approval in the Entities in accordance with their Statutes and in accordance to the rules established in the respective Entities.

Organizational, administrative, and local normative documents should not contradict this **POLICY**.

TERMS OF VALIDITY AND PROCEDURE FOR REVIEW AND AMENDMENT

This **POLICY** is a permanent local normative document.

This **POLICY** is approved and entered into force by the Order of OJSC "OC "Rosneft".

The **POLICY** is considered to cease to be in force based on the Order of OJSC “OC “Rosneft”.

Amendments to the **POLICY** are introduced by the Order of OJSC “OC “Rosneft”.

Amendments to the **POLICY** could be initiated by:

- Top management of the Company;
- Corporate Culture Department.

Responsibility for oversight of the execution of this **POLICY** is assigned to the Vice-president of the Company responsible for Government relations and implementation of the corporate culture policies.

Responsibility for actualization of this **POLICY** is assigned to the head of the Corporate Culture Department.

1 TERMS AND DEFINITIONS

This **POLICY** uses the following terms with respective definitions:

SUSTAINABLE DEVELOPMENT — the development of the society that meets the needs of the present without compromising the ability of future generations to meet their own need¹.

SUSTAINABLE DEVELOPMENT OF THE COMPANY — the development of the company that is aimed at the increase of its shareholder value by improving its economic efficiency, developing the personnel and maintaining stable work collectives, ensuring high level of safety of its operation for employees of the company, partners, public and environment, and socio-economic development of the regions of its operations. Sustainable development of the Company is achieved by implementation of a system of interrelated activities in these areas, executed through constant engagement with stakeholders.

STAKEHOLDERS — persons, organizations or communities, that may affect activities of the Company or may be affected by the activities of the Company, its products or services and activities related to these.

STAKEHOLDER ENGAGEMENT — procedures and processes that are implemented in the Company to involve stakeholders into its activities.

ENVIRONMENT — aggregate of the components of natural environment, natural and anthropogenic, as well as of partially anthropogenic objects.

SUSTAINABILITY REPORTING (NON-FINANCIAL REPORTING) — informational reflection of activities of the Company related to sustainability by publication of systematic reporting on the range of issues covered in this Policy and other issues of concern to stakeholders.

REGIONS OF OPERATION — constituent entities of the Russian Federation and separate administrative territorial units of these, where OJSC “OC “Rosneft”, subsidiaries of OJSC “OC “Rosneft”, their respective subsidiaries, and dependent entities of OJSC “OC “Rosneft” are located.

COMMUNITIOS OF THE REGIONS OF OPERATION — aggregate of the stakeholders located in the regions of operation of the Company (including governmental authorities of the constituent entities of the Russian Federation, local administrations of the regions of operation of the Company, local communities and population).

CORPORATE ETICS — aggregate of ethical principles and norms guiding the Company in its activities.

TOP MANAGEMENT OF THE COMPANY — sector vice-presidents of the Company and general directors of the subsidiary entities.

¹United Nations. 1987. "Report of the World Commission on Environment and Development." General Assembly Resolution 42/187.

2 DESIGNATIONS AND ABBREVIATIONS

SUBSIDIARIES — subsidiary entities of the OJSC “OC “Rosneft”, their respective subsidiary entities, and dependent entities of the OJSC “OC “Rosneft”.

IMS — Integrated management system.

THE COMPANY — OJSC “OC “Rosneft”, subsidiary entities of the OJSC “OC “Rosneft”, their respective subsidiary entities, and dependent entities of the OJSC “OC “Rosneft”.

KPI — Key performance indicators.

EAOS — elimination of accidental oil spills

LND — local normative document.

ME — material and equipment.

EP — environmental protection.

OS — occupational safety.

IS — industrial safety.

HSE — industrial safety, occupational safety and environmental protection, including fire and well-kill response, sea safety, emergency prevention and response.

APG — associated petroleum gas.

IPIECA Sustainability reporting guidance — Oil and gas industry guidance on voluntary sustainability reporting by International Petroleum Industry Environmental Conservation Association and American Petroleum Institute (IPIECA/API).

GRI Guidelines — Sustainability reporting guidelines (version 3.0) developed by Global Reporting Initiative (GRI).

3 GENERAL PRINCIPLES OF SUSTAINABILITY ACTIVITIES OF THE COMPANY

3.1 PRINCIPLES OF SUSTAINABILITY ACTIVITIES OF THE COMPANY

The Company bases its sustainability activities on the following principles:

- **Compliance with legal requirements and other Obligations to which the Company subscribes.** The Company carries out its operations in accordance with the requirements of the Russian legislation. In addition to that the Company follows all obligations to which it subscribes, both as set in its internal documents, and as publicly given to stakeholders. The Company strives to follow the principles set in the Social Charter of Russian Business and to follow international best practices in the field of sustainability.
- **Consideration of stakeholders' interests and expectations.** Systematic identification and assessment of interests and expectations of stakeholders is one of the key directions of the sustainability activities of the Company. In course of its activities the Company aims to maintain a balance of interests of all its stakeholders.
- **Observance of human rights.** The Company recognizes inviolability of human rights, including labor rights and the right to favorable environment. It strives to avoid any form of discrimination or violation of human rights.
- **Integration of sustainability principles into day-to-day activities of the Company.** The Company aims to incorporate sustainability principles into its day-to-day operations by planning its sustainability activities and integrating them into corporate business plans. The sustainability concept is built into the Strategy of the Company and is taken into account when developing and implementing all business process of the Company.
- **Introduction of sustainability principles in all newly acquired assets.** The Company works in a planned and systematic manner to implement its sustainability principles, approaches and standards in all newly acquired entities, and to prepare them for certification integrated sustainability management systems in accordance with applicable standards.
- **Consideration of regional specifics.** The Company undertakes its sustainability activities taking into account socio-economic, natural and cultural circumstances of its regions of operations. The scale of such activities is determined in each particular case based on the significance of the respective subsidiary to the overall business of the Company and severity of social, environmental, and economic issues of the respective region.
- **Performance assessment and continual improvement.** The Company regularly assesses effectiveness of its sustainability activities. For this purpose, the goals are set for all major directions of sustainability activities. The management of the Company annually assesses achievement of these goals. The Company strives to annually improve the goals that have been set.
- **Information transparency.** The Company aims to improve stakeholders awareness of all aspects of its operations and to ensure reliability, meaningfulness and timeliness of the information provided to them. For this purpose, the Company prepares financial and non-financial reports that are subjected to verification by independent auditors, publishes information on its corporate website and arranges various public events.

3.2 STAKEHOLDER ENGAGEMENT

The Company strives to create an effective stakeholder engagement system based on the following key principles:

- respect for stakeholders' interests and mutually beneficial collaboration with them;
- timely provision of information to the stakeholders regarding all aspects of activities of the Company;
- regular and consistent engagement with stakeholders;
- identification of stakeholders' expectations;
- respect for commitments made to stakeholders;
- aspiration to honour balance of interests of all stakeholders in decision-making process;
- stakeholder engagement in all key spheres of Company operations.

Based on the practice of stakeholder engagement and on assessment of significance of their impact on the current operations and strategic development of the Company, the following key stakeholder groups have been identified:

Employees

- Company employees and their associations (trade unions, labour collective councils);

Business Community

- shareholders and investors, including potential;
- partners and contracting parties;

Society

- governmental authorities of federal and regional level;
- population (including non-governmental organizations and associations, non-governmental organizations and associations, indigenous minority peoples of the North, healthcare organizations, external labor union organization and mass media in the regions of the Company's operations, etc.);
- retail consumers;
- educational establishments that train professionals for the Company.

4 SUSTAINABILITY ACTIVITIES OF THE COMPANY

4.1 ENGAGEMENT WITH EMPLOYEES

The Company views employees as its key asset and aims to ensure their well-being, professional growth and personal development that are cornerstone to sustainable development of the Company. Rosneft bases its engagement with employees on the principles of social partnership, ensuring safe and comfortable working conditions, decent remuneration level and social benefits.

The Company pays particular attention to the issues of occupational health and safety, regarding human life as the highest value².

4.1.1. Establishing unified and transparent compensation system and maintaining high level of remuneration

The Company's activities in this area include:

- creating a system of remuneration based on the following principles:
 - establishment of fair wages, depending on the knowledge and experience of staff, level of responsibility, complexity of work and workload;
 - most objective evaluation of results of the work of employees and remuneration commensurate with these results;
- Monitoring of regional labor markets to ensure competitive levels of remuneration for all subsidiaries.

4.1.2. Employee development and the creation of a personnel reserve

The Company's activities in this area include:

- conducting professional upgrade programs for employees;
- implementation of corporate training programs for employees on the basis of partner professional educational establishments, as well as using Company's own training facilities;
- offering opportunities for further professional education for the employees;
- conducting special training programs for personnel reserve for various levels of the Company's management.

4.1.3. Engagement with trade unions and ensuring observance of mutual obligations of the employer and employees

The Company's activities in this area include:

- engagement with the trade unions regarding provision of safe and comfortable working conditions and decent wages, and addressing relevant recommendations of the trade unions;
- conduction of joint discussions of issues related to rest and recreation of staff, and other issues related to the provision of various benefits to workers;

² Because the Company has implemented an integrated management system in health, safety and environment (HSE), the principles related to HSE will be further discussed in the section 4.4 "Industrial safety, occupational health and environmental protection".

- engagement with trade unions regarding restructuring and headcount optimization in order to minimize the risk of social conflicts;
- establishing collective agreements.

4.1.4. Development of social programs for employees and composition of benefits package

The Company's activities in this area include:

- implementation of the corporate housing program;
- introduction of corporate pension programs;
- implementation of health protection activities, including provision of sanatorium treatment, voluntary medical insurance, an analysis of employee morbidity and implementation of preventive measures, creating a comfortable sanitary and working conditions in the workplace;
- support of sport and promotion of healthy lifestyle among employees.

4.1.5. Establishing safe and comfortable working and living conditions for production staff

The Company's activities in this area include:

- establishment of a safe working environment;
- improvement of workplaces in accordance with the standards of the Company;
- development of local normative documents and implementation of the program to improve shift camps and support bases for shifts to bring them to corporate standards, as well as construction of new facilities in compliance with the standards of the Company.

4.1.6. Improvement of corporate culture

The Company's activities in this area include:

- establishment and development of a unified system of internal communications;
- introduction of the Code of Ethics and the system for its execution;
- planning and implementation of activities to build and strengthen the Company's reputation among employees;
- support and development of a feedback system between employees and management of subsidiaries and OJSC "OC "Rosneft".

4.2 ENGAGEMENT WITH BUSINESS COMMUNITY

The Company aims to increase shareholder value and to achieve the highest standards of governance, being convinced that these two objectives are interconnected. Commitment to transparent and responsible management of the business is important to maintain the confidence of investors and to provide shareholders with the maximum profit. The company strives to achieve top financial and operational performance in the oil and gas sector. Achievement of this goal directly depends on effective cooperation of the Company and its suppliers and contractors that is based on principles of transparency and fair competition, and on consumer loyalty which is ensured by the high quality of products. To improve the efficiency of its business the Company develops and implements new technologies in all phases of its activities.

The Company's major activities in this area include:

4.2.1. Engagement with shareholders and investors

The Company's activities in this area include:

- taking into account the opinions and interests of shareholders through annual and extraordinary shareholders' meetings, as well as through functioning of the Board of Directors and corporate governance of the Company as a whole;
- informing shareholders and investors through the preparation and publication of reports and other required information, through quarterly and thematic presentations to investors, as well as through provision of access to information for shareholders in accordance with the requirements of the law on joint stock companies.

4.2.2. Engagements with counterparties

The Company's activities in this area include:

- use of transparent and open system of selection of counterparties on the basis of tenders and prequalification, giving preference to domestic counterparties;
- establishment of conditions favorable for business development of counterparties by agreeing long-term contracts with transparent pricing and flexible terms of payment;
- engagement with counterparties based on the principles of mutually beneficial cooperation, openness and fair competition.

4.2.3. Improvement of product quality control system

The Company's activities in this area include:

- quality control at all stages of production and marketing (production, preparation, processing, marketing);
- introduction of quality management system in accordance with ISO 9001 for all subsidiaries.

4.2.4. Engagement with customers

The Company's activities in this area include:

- improvement of quality of products, service, and new types of services;
- development of retail network.

4.2.5. Management of scientific and technical development

The Company's activities in this area include:

- introduction of new production solutions based on the Company's System of new technologies;
- involvement of world-class Russian and foreign specialists in scientific and technical activities of the Company;
- introduction of the System of technological learning for the Company employees and students seconded to the Company;

- establishment of Knowledge management systems;
- introduction of quality management system in the Corporate research and development complex.

4.2.6. Risk management

The Company's activities in this area include:

- introduction of Risk management system;
- creating a culture of risk management in the Company to achieve common understanding of management and employees of the Company's basic principles and approaches to risk management.

4.2.7. Improving corporate governance

The Company's activities in this area include:

- compliance with the Code of Conduct;
- compliance with the Code of Ethics;
- compliance with the Policy on corporate governance;
- increasing transparency;
- further improving corporate governance in line with international practice.

4.3 ENGAGEMENT WITH SOCIETY

The Company is concerned with socio-economic development of regions of operation and of the country as a whole, realizing that their high development rates are among the key factors contributing to the sustainable development of the Company in the long term. In the regions of operation the Company aims to achieve and maintain the status of an employer of choice and a best partner both in business and in engagement with government, community and educational establishments.

The Company's major activities in this area include:

4.3.1. Engagement with governmental authorities at the federal level

The Company's activities in this area include:

- monitoring of changes in the legislation of the Russian Federation to ensure compliance with current legislation;
- participation in the discussion and review of draft decisions relating to the regulation of the oil industry, developed by the executive authorities of the Russian Federation.

4.3.2. Engagement with public authorities and development of social infrastructure in the regions of operations

The Company's activities in this area include:

- support and development of social infrastructure in the regions of operations, including in the framework of agreements on socio-economic cooperation signed with regional authorities on the basis of mutually beneficial cooperation;
- charitable and sponsorship activities.

4.3.3. Support for Education

The Company's activities in this area form the basis for establishment of a personnel reserve of the Company; these include:

- establishment of a system of pre-university training for young professionals;
- engagement with specialized higher educational establishments on the basis of long-term cooperation agreements;
- training and internship programs for students in the Corporate Science and Technology Center of the Company, in subsidiaries and other divisions of the Company;
- organization of joint research programs, including those of international level.

4.3.4. Support for Indigenous Minority Peoples of the North

The Company's activities in this area include:

- engagement with indigenous minority peoples of the North based on mutual trust and respect;
- fulfilment of obligations to indigenous minority peoples of the North made within the framework of licensing agreements;
- fulfilment of obligations to indigenous minority peoples of the North made within the framework of agreements on mutually beneficial cooperation with regional public authorities.

4.3.5. Support for sports among the population of the regions of operations

The Company's activities in this area include:

- support the expansion of sports and recreational movement.

4.4 HEALTH, SAFETY, AND ENVIRONMENT

The company strives to take care of the environment and gives priority to preventive measures aimed at minimizing the impact of its activities on natural environment, human environment and production environment.

To achieve these goals the Company implements all available and practical measures to prevent injury and deterioration in health of workers, introduces the latest technology, aims to use natural resources rationally, develops and implements targeted programs in the area of environmental protection.

In case of accident takes measures to mitigate its impact on workers and the environment.

4.4.1. Health, safety, and environmental management

The Company's activities in this area include:

- creating and maintaining the Company's effective integrated HSE management system certified for compliance with international standards ISO 14001:2004 and OHSAS 18001:2007;
- regular and systematic training for staff in HSE, including practical training on HSE IMS and drills on elimination of accidental oil spills;
- involvement of contractors and service organizations in HSE IMS procedures;
- involvement of the stakeholders in a discussion of activities the Company in the field of environmental and industrial safety and in relevant decision-making;
- works to improve the reliability of technological equipment, ensuring its safe and zero-accident operation;
- monitoring of compliance with HSE legislation, improving of the quality of pre-design and design documentation, and implementation of projects that have passed the state review;
- conduction of a preliminary HSE risk assessment prior to start of any project, as well as throughout the project life cycle;
- observance of priority of preventive measures over measures to eliminate the consequences of adverse events and implementation of all available and practical measures to prevent accidents;
- in the case of emergency, taking all possible measures and use all available resources to mitigate their impact on health of personnel, population and the environment;
- requirement to the staff regarding compliance with the Company's HSE standards and regulations.

4.4.2. Implementation of targeted programs in environmental protection

The Company's activities in this area include:

- implementation of targeted program to improve the reliability of pipelines;
- implementation of targeted environmental program for capital investments aimed at the construction of landfills, wastewater treatment plants, maintenance and construction of oil spill response stations and supply of oil spill recovery equipment;
- implementation of targeted program to increase the use of associated petroleum gas;
- implementation of environmental protection activities, including environmental and geo-ecological monitoring, inventory of pollution sources and obtaining permits for environmental activities;
- the introduction of advanced environmental and energy saving technologies.

5 SUSTAINABILITY REPORTING PRINCIPLES

- The Company prepares reports on its sustainability activities on an annual basis.
- Preparation of sustainability reports is done at the general corporate level.
- The Company prepares sustainability reports in accordance with the requirements set forth in the GRI Guidelines.
- The Company subscribes to the principles of sustainability reporting set forth in the GRI Guidelines, namely, the principles for defining report content (Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness) and the principles for defining report quality (Reliability, Clarity, Balance, Comparability, Accuracy, Timeliness,).
- Considering that most of the Company assets are located in the territory of the Russian Federation, the Company is also guided by the Basic indicators of performance developed by the Russian Union of Industrialists and Entrepreneurs (RUIE) that ensure comparability of information among Russian non-financial reports.
- The Company pursues the international experience of sustainability reporting of oil and gas companies and uses the IPIECA Sustainability reporting guidance that take into account sector-specific sustainability activities to prepare its reports.
- Sustainability reports of the Company are addressed, above all, to the stakeholders of the Company, and are published on the corporate website.