

Key risk factors

RISK MANAGEMENT SYSTEM

The Company's goal in risk management is to enhance the effectiveness of management decisions through detailed analysis of related risks and to ensure that the risk management measures taken to implement such decisions are effective as possible.

Objectives of risk management:

- to establish a risk management culture at the Company to reach a common understanding among management and employees of the main principles and approaches to risk management;
- to establish and introduce a systematic approach to identifying and assessing risks that are inherent in the Company's activities both as a whole and individual areas of activities;
- to stimulate the exchange of information on risks between the Company's structural divisions and the joint development of risk management actions;
- to provide systematic information about risks to the Company's governing bodies.

In order to meet this objective, the Company has drafted and implemented a unified approach to the risk management process that is recorded in the Integrated Risk Management System (IRMS) corporate standard.

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

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

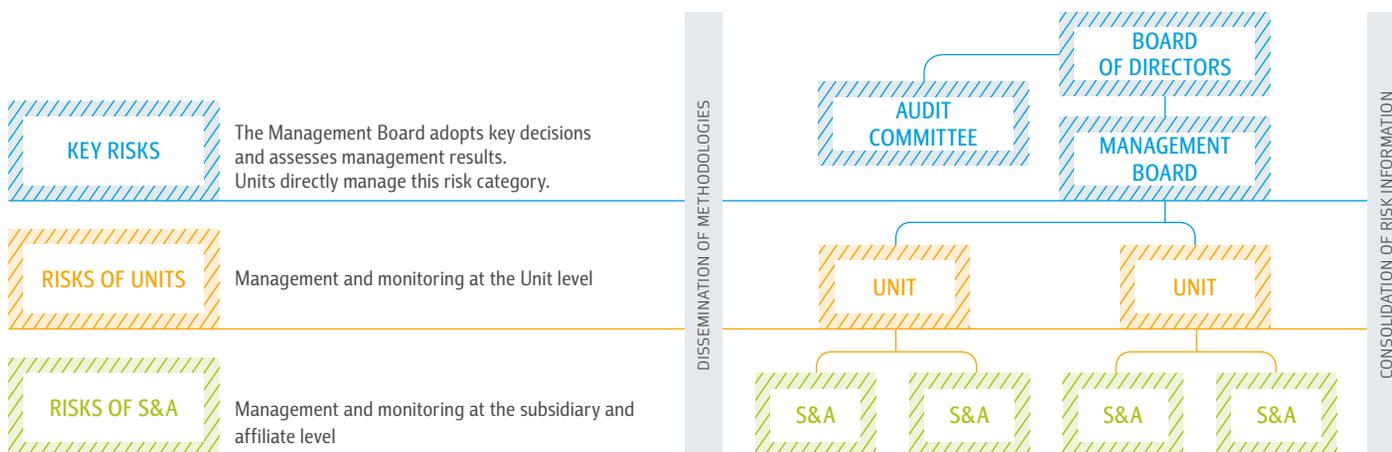
The regulatory and methodological framework of the IRMS includes the following documents:

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

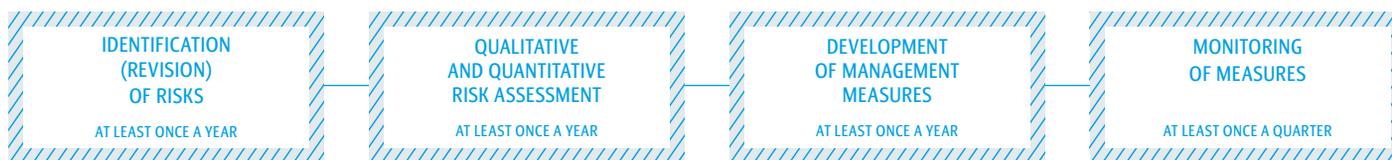
Risk management constitutes an integral part of the internal environment of Gazprom Neft and includes:

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

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



SCHEMATIC DIAGRAM OF IRMS PROCESS AT THE GAZPROM NEFT GROUP //



DEVELOPMENT OF THE INTEGRATED RISK MANAGEMENT SYSTEM

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

In 2015, the Company successfully implemented a pilot project for a quantitative risk analysis of projects in the Logistics, Processing and Sales Unit, drafted several methodological documents to analyse certain production and environmental risks, and established an interactive training course called Fundamentals of Risk Management for all the Company's employees.

As of the end of 2015, the IRMS covered all major Gazprom Neft assets. Further expansion is planned once new projects are launched or existing assets are acquired.

In 2016, the Company plans to continue developing regulatory and methodological documents to analyse certain substantial risks and integrate risk analysis into the decision-making process and also to expand the training programme for the Company's executives and employees on matters concerning risk management tools and methods.