

OJSC Rosneft Oil Company Sustainability Report 2011





2011

OJSC ROSNEFT OIL COMPANY
SUSTAINABILITY REPORT

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A MESSAGE FROM ALEXANDER NEKIPELOV, CHAIRMAN OF THE BOARD OF DIRECTORS OF OJSC ROSNEFT OIL COMPANY



In 2011, the Company's key objective was to begin the transformation from a status of a national-level player working mainly with traditional oil fields and technologies to a status of a global leader in the energy resources sector. The year's results show that we confidently progress along this path, building partnerships with international oil and gas companies, gradually diversifying our assets portfolio of oil and gas fields, and using the most advanced technologies including those developed in-house. In this transformation, we are guided by the highest standards in the field of environmental protection, industrial safety, occupational health and safety, as well as relations with employees and the regions where we operate.

A number of last year's events played a decisive role in the Company's strategic development. An unprecedented strategic partnership with ExxonMobil allowed our Company to start effective work for realizing the enormous potential of Russian offshore resources with minimal risks for Rosneft. At the same time, we gained access to joint projects outside of Russia, which will help us obtain invaluable experience of working with hard-to-recover reserves. However, this also puts a tremendous responsibility on us

to ensure proper environmental and industrial safety. To the Company, it means continuous improvement of its performance in these areas as a necessary pre-requisite for assuming a leading position on the global scale.

As the Company enters new regions with harsh climates and complex geological conditions, innovation development becomes a key factor for successful implementation of the Company's projects. In 2011, we set up the Arctic Research and Design Center for Offshore Development, which will provide research, development and design support of the Company's offshore operations in the Arctic and other projects.

In the reporting year, we continued implementing the Company's largest project for the modernization of its Russian refining capacities, which will help improve the industrial safety of Rosneft's refining operations and completely switch to the production of environmentally safer fuel.

As in the previous years, Rosneft has remained one of the largest Russian companies in terms of its revenue. The Company employs almost 170 thousand persons and contributes to the development of the national economy, procuring

over 90% of necessary goods and services from Russian providers. In 2011, the Company became the largest Russian taxpayer — taxes and customs duties paid by Rosneft amounted to some RUB 1.3 trillion, including some RUB 170 billion of taxes paid to regional budgets. I am convinced that the further innovation-based development with the priorities of safety and partnership taken into account and achievement of a leading position in the global energy sector will contribute to the prosperity of Russia and the strengthening of global energy security.

A handwritten signature in black ink, appearing to read 'Alexander Nekipelov', written over a light-colored background.

Alexander Nekipelov

A MESSAGE FROM IGOR SECHIN, PRESIDENT OF OJSC ROSNEFT OIL COMPANY



In 2011, we embarked on a number of important strategic initiatives, which will require Rosneft management to pay even more attention to sustainability. The signing of a strategic partnership agreement with ExxonMobil and major modernization of the Company's refining capacities pose new requirements for environmental and industrial safety of our operations. In order to bring these issues to the attention of both management of Rosneft and its subsidiaries and every employee, dedicated departments supervising environmental and industrial safety respectively were created and the number of specialists in these fields increased substantially.

To support the Company's course towards strategic projects and comply with requirements of the Russian Government, in 2011 Rosneft approved its Innovation Development Program. The Program implementation requires close cooperation between all departments of the Company's headquarters and all Rosneft subsidiaries. Significant Program components include, among others, the strengthening of environmental safety, development of human resource potential, and partnership with research institutions and universities. As part of the program, the Arctic Research and Design Center for Offshore Development has been set up to provide research, development and design support of offshore operation in the Arctic and help prevent accidents. The partnership with ExxonMobil, which was signed on June 15 2012, created special conditions for ExxonMobil to actively participate in the arctic Research and Design Center for Offshore Development. This joint Center will further involve a large-scale technology exchange and collaboration between managers of the two companies; this will help mobilize competencies and know-how, which later can be adapted for the development of Russia's resource base. The deal between Rosneft and ExxonMobil embodied a new approach towards cooperation for global energy security and

established a model for the entire series of similar offshore projects to be implemented in the future.

The implementation of a major program for the modernization of refining capacities allowed Rosneft to substantially expand the production of more environmentally safe fuels conforming to the modern requirements. For example, the output of motor gasoline compliant with the Euro-3 and Euro-4 standards increased by 3.3 times; the output of diesel fuel compliant with the same standards – 1.7 times.

In 2011, the Company continued systematic implementation of existing social programs aimed at ensuring safe and comfortable working conditions, improving housing conditions of employees and their families, employee professional training, and partnering with the regions of operation. The scope of the corporate pension system was expanded: now the Company pays occupational pensions to those veterans who retired prior to the launch of the corporate pension program. Rosneft financed the construction, renovation, or restoration of more than 150 social facilities.

We continued the improvement of the integrated management system and the implementation of corporate targeted programs, including the Environmental, the Gas, the Pipeline Reliability Improvement and the Past Environmental Damage Elimination ones. Major efforts were made to carry out an inventory of oil production waste and contaminated lands accumulated at Rosneft subsidiaries; a plan for the elimination of this historic pollution was prepared. The Company continued its work aimed at achieving a 95% associated petroleum gas recovery rate by 2014. In early 2012, an inventory of greenhouse gas emissions was started.

The Company will continue participating in various Russian and international sustainability

initiatives, such as the UN Global Compact, since it is obvious that addressing sustainability issues is a necessary pre-requisite for successful development in the long term.

The Company will have to work hard to meet the challenging objectives it set for itself. However, I am convinced that the effectiveness of our activities in the field of environmental and industrial safety, OHS, employee development, cooperation with the regions of operation, and stakeholder engagement will make a crucial contribution to the success of strategic projects currently being planned by the Company.

A handwritten signature in black ink, appearing to be 'Igor Sechin'. The signature is fluid and cursive, written on a white background.

Igor Sechin

About This Report



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About This Report

OJSC Rosneft Oil Company publishes its sustainability reports on an annual basis. This is the sixth Rosneft Sustainability Report, which discloses the Company's sustainability performance in the year 2011. The previous one — Rosneft Sustainability Report 2010 — was published in June 2011. The target audience of sustainability reports published by OJSC Rosneft Oil Company includes stakeholder groups described in OJSC Rosneft Oil Company's Sustainability Reports for 2008, 2009, and 2010. Additional information about the Company's stakeholder engagement activities is available on the corporate website.

This Report has a different structure compared to previous sustainability reports. The first part of this Report covers activities of the Company as a whole, while the second part takes a regional perspective, disclosing activities of the Company and its subsidiaries in the context of the development of their regions of operation. The second part is organized by federal districts of Russia.

This Sustainability Report does not duplicate the detailed information provided in Rosneft Annual Report 2011; references to the respective sections of the Annual Report are provided where appropriate.

In the future, the Company plans to continue the improvement of its reporting processes, introducing more advanced data collection and consolidation systems.

The Company will be pleased to receive feedback regarding this Report from all stakeholders. By using an online feedback form available in the Sustainable Development section of the corporate website (www.rosneft.com), any reader can send his or her comments and suggestions to the Company.

REPORTING PRINCIPLES

Rosneft Oil Company's sustainability reporting process is based on the Sustainability Reporting Guidelines by the Global Reporting Initiative (hereinafter — the GRI guidelines), version G3. The Company's understanding of the sustainability reporting principles, as defined by the GRI guidelines, was explained in Rosneft Sustainability Report 2008 and has not changed since then.

In the next year, the Company plans to disclose indicators defined in the GRI Oil and Gas Sector Supplement. In preparing its sustainability reports, the Company also considers the basic



▲ CJSC Bryansknefteprodukt. Filling station no. 22

performance indicators for non-financial reporting developed by the RUIE (Russian Union of Industrialists and Entrepreneurs), and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API (2010). This Report also reflects the Company's progress in implementing the principles of the UN Global Compact.

The information is presented in this Report in accordance with A+ GRI application level. This Report underwent an independent assurance process. The independent assurance report is available on pp. 86-87 of this Report.

REPORTING BOUNDARIES

OJSC Rosneft Oil Company prepares its sustainability reports at the company-wide level. This Report covers all major operating subsidiaries of the Company.

The Company continues to develop its internal sustainability reporting procedures, gradually implementing its plan for the transition to a uniform sustainability reporting boundary. In 2011, the Company substantially expanded the reporting boundary for HR management

and society indicators, covering a number of additional companies from the service sector: several subsidiaries managed by LLC RN-Service, companies managed by CJSC RN-Energoneft and LLC RN-Stroi, agent companies of LLC RN-Card etc. The reporting boundary for environmental performance indicators underwent insignificant changes: several subsidiaries from the petroleum products marketing sector were excluded.

There were no significant changes in the scope of reporting (economic, social, and environmental aspects of sustainability) compared to the previous reports. Unlike the previous periods, when financial performance indicators were reported on the basis of US GAAP (Generally Accepted Accounting Principles), in this Report, key financial and economic indicators including the GRI indicator ECI are reported in accordance with the International Financial Reporting Standards (IFRS).





Company Performance



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¹ This Sustainability Report contains only brief information on the topics covered in this section. More detailed information is available in Rosneft Annual Report 2011, which can be downloaded from the Company's official website.

The Company in 2011: General Information

Russia, including Western Siberia, Southern and Central Russia, Timan-Pechora, East Siberia, the Far East, and the Arctic Sea shelf. The Company is also engaged in projects in Kazakhstan, Venezuela, Algeria, and the UAE. Rosneft's seven major refineries are spread across Russia, from the Black Sea coast to the Far East, while the Company's retail network encompasses 40 Russian regions.

CORPORATE GOVERNANCE AND MANAGEMENT

Rosneft Oil Company's corporate governance system includes the General Meeting of Shareholders, the Board of Directors, a collegial executive body (the Management Board) and a chief executive officer (the Company President). The corporate governance system is described in detail in the Annual Report 2011 and in the previous sustainability reports. In 2011, Alexander Nekipelov, Vice President of the Russian Academy of Sciences and Rosneft's Board member since 2006, was elected Chairman of the Board of Directors.

As in the previous years, the top executive responsible for the coordination of the Company's sustainability activities was Vice President for HR and Social Policy, who was also in charge of human resource management, social policy, and regional socio-economic development programs. At the level of the Board of Directors, these issues are overseen by the Board's HR and Remuneration Committee.

In 2011, the Company split the management of health, safety, and environment, creating two separate units – the Environmental Safety and Technology Department and the Safety and Health Department. The first department reports to Vice President for Innovation, while the latter one reports to Vice President for Production. At the level of the Board committees, the issues of health, safety and environment are supervised by the Strategic Planning Committee, to which Vice Presidents for Innovation and Production report on the respective topics.

All senior executives of the Company report to the Board of Directors in terms of key performance indicators (KPIs). The size of bonuses paid to the executives depends on meeting their respective KPI targets. The KPIs are defined on the basis of the Company's objectives including, among others, those in the field of transparency, environmental performance, occupational health and safety, social security of employees, and engagement with the society.



Rosneft Oil Company is the leader of the Russian oil industry and one of the world's largest publicly traded oil and gas companies. The Company is the global leader among public oil and gas companies in terms of oil and gas condensate reserves. The key sectors of Rosneft's business include the exploration and production of oil and gas, manufacturing of petroleum products and petrochemicals, and marketing of outputs.

According to the President's Decree from May 21, 2012, the Company is included in the list of strategic Russian enterprises. The largest shareholder of Rosneft (75.16% of the equity) is OJSC ROSNEFTEGAZ, which is fully owned by the Russian Government. The geography of Rosneft's exploration and production operations encompasses all the key oil and gas regions of

SUSTAINABILITY POLICY

The Company has a Sustainability Policy, which defines Rosneft's sustainability goals, objectives, and principles, as well as approaches to stakeholder engagement and sustainability reporting. The document is available in the Sustainable Development section of the corporate website.

CODE OF BUSINESS ETHICS

Rosneft Oil Company has adopted the Code of Business Ethics, which defines the Company's mission and corporate values, as well as ethical standards of employee conduct in specific circumstances. The Code not only defines standards of ethical conduct within the Company team, but also regulates relations with customers and business partners, government authorities, the public and competitors. The Code text is available on the corporate website. In addition to the Code, the Company has developed a package of guidance materials to support the Code implementation (Manager's Guide to the Code,

Code Presentation for Employees, Instruction for Business Ethics Coordinators, and a collection of answers to frequently asked questions). Rosneft accepts e-mail notifications of breaches of the Code of Business Ethics; complaints can be sent to the address code@rosneft.ru.

THE COMPANY'S RISKS

In the process of developing the Company's strategy, major risks that might hamper its implementation were identified, and approaches towards managing those risks were defined. In 2012, it is planned to start the introduction of mechanisms for systematic management of those risks. The key risks, including those related to sustainability, are presented in the table below.

Key risks to the implementation of the Company's strategy

Risk type	Risk description	Risk management actions
Environmental	<ul style="list-style-type: none"> Risk of technogenic disasters in the production and refining sectors 	<ul style="list-style-type: none"> Investment in environmental protection technologies, strengthening of the culture of environmental safety
Project	<ul style="list-style-type: none"> Failure to meet agreed budgets and schedules for investment projects 	<ul style="list-style-type: none"> Introduction of a new business model for project management Institutionalizing project managers
Human resource	<ul style="list-style-type: none"> Lack of skilled managers and specialists for offshore projects 	<ul style="list-style-type: none"> Engagement of strategic partners for major offshore project
Technology	<ul style="list-style-type: none"> Lack of access to necessary technology or inefficient use of technologies 	<ul style="list-style-type: none"> Implementation of the Innovation Development Program
Geological	<ul style="list-style-type: none"> Risk of a failure to discover sufficient commercial reserves 	<ul style="list-style-type: none"> Strengthening of competencies and use of best available techniques Portfolio/partnership diversification
Regulatory and tax	<ul style="list-style-type: none"> Increase in the tax burden 	<ul style="list-style-type: none"> Dialogue with the government to identify mutually beneficial fiscal solutions
Macroeconomic	<ul style="list-style-type: none"> Deterioration of the macroeconomic situation 	<ul style="list-style-type: none"> Improvement of the efficiency of operations Selection of an optimal structure of capital
Corporate security	<ul style="list-style-type: none"> Unfair competition, terrorism, incompliance with the law, penetration of criminal entities, bribery, fraud, corporate raiding Violation of shareholder rights 	<ul style="list-style-type: none"> Strict compliance with international business security standards, strengthening of competencies, use of best practices Oversight of the exercising of shareholder rights

Stakeholder Engagement



▲ Roundtable meeting of subsidiaries at SFD

In 2011, the Company carried out the fifth annual series of roundtable meetings with stakeholders in its key regions of operation. The format and the main objectives of the events remained unchanged from the previous year: the meetings were dedicated to open discussion of the key issues faced by local communities and the Company with the involvement of all stakeholder groups. Based on the outcomes of the events, a summary analysis of the results of all stakeholder meetings held in 2011 was carried out; typical problems faced by Rosneft Oil Company subsidiaries at the moment were identified; and suggestions on possible ways to address those problems were collected. The resulting report was presented to Company management. It is planned that stakeholders' views on the issues identified and recommendations offered during stakeholder meetings will be taken into account in the development of the Company's existing programmes and the design of new projects. A summary of the key issues raised by the stakeholders is provided in Annex 3. Actions taken by the Company in response to the issues identified are described in the respective sections of this Report.

At the end of 2011, the Company held a workshop for representatives of its subsidiaries to share the experience of conducting regional roundtable meetings and discuss international best practices of engaging with stakeholders. The workshop was aimed at improving the practice of stakeholder engagement across the Company. Furthermore, an analysis of the results of the roundtable meetings over their entire history was carried out in 2011.

Roundtable meetings are the main stakeholder engagement instrument used by the Company. In a number of regions where the meetings have been held for several years, stakeholders consider them to be one of the most effective forms of engagement with the Company. In Russia, Rosneft Oil Company's roundtable meeting series remains the largest corporate program of such kind.

Over the five years of roundtable meetings, much was done to establish and maintain an effective dialogue; as a result, typical meeting agenda has evolved from one-way reporting by subsidiaries and debates over who is responsible for long-standing conflicts to two-way discussion of relevant objectives and the progress of joint efforts to address the issues identified at previous meetings. Now the roundtable meetings provide a foundation for the development of the Company's sustainability policy and are an important component of Rosneft's sustainability reporting process.

The Company first started to conduct roundtable meetings with stakeholders in 2007, when 8 such events were held. In the subsequent years, their number increased and in 2011 a total of 15 meetings were held. At the time of the crisis, the Company had to reduce the number of events temporarily; nevertheless, it continued to conduct roundtable meetings in its key regions of operation. Based on the results of the most recent series of the meetings, it was decided to continue stakeholder engagement activities at the current level or on a larger scale in all the key regions where the Company operates.



▲ Roundtable meeting at OJSC Udmurt Neft

For the Company, the main results of the roundtable meetings include the following:

- Authorities and the public in the regions where the meetings are held appreciate the Company's transparency, its readiness for a dialogue, the format of the dialogue and its regularity.
- The Company better understands how stakeholders view its activities in the context of the socio-economic development of its regions of operation and the state of the environment in those regions.
- The Company effectively uses opportunities for discussing regional challenges of the most concern to local governments and the public, possible ways to address those challenges through joint efforts, as well as methods and priorities of further cooperation between Rosneft Oil Company subsidiaries and stakeholders.
- Executives of Rosneft Oil Company subsidiaries gained important experience of publicly discussing a broad range of issues, which were rarely discussed in public prior to the launch of the roundtable meeting program; in some cases the executives were able to get a new perspective on the issues discussed.
- The roundtable meetings help position Rosneft Oil Company as a socially responsible company viewing sustainability as one of its top priorities, prepared for an open discussion of the entire range of effects arising from its activities, and seeking to maximize its positive social and economic impacts in the regions where it operates. The roundtable meetings receive wide coverage in the regional media.
- The roundtable meetings helped overcome the lack of comprehensive information about development prospects and social and environmental performance of the Company and its subsidiaries in the regions where they operate.
- The information about significant problems, as well as stakeholders' concerns and suggestions collected at the roundtable meetings provide a foundation for the development of the Company's social, environmental, and information policy in the regions where it operates.



▲ Salesroom of OJSC Rosneft-Altaynefteproduct

CUSTOMER SERVICE EVALUATION PROGRAM

OJSC Rosneft Oil Company has been running a «Mystery Shopper» program to evaluate the quality of customer service in its retail network on a continuous basis since 2008. The program encompasses 100% of the Company’s filling stations. Under the program, each filling station of the company is visited by a representative of a contractor organization posing as a regular customer at least three times a month. A visit includes filling a car, purchasing associated products and services, and evaluating the quality of customer service. The surveys are based on a common customer service evaluation questionnaire standardized across the Company, which encompasses the following three key areas:

- customer service quality;
- product presentation quality;
- cleanliness of the retail outlet.

As a result of each survey, filling stations receive scores in each of the three areas, which are summed to produce the final customer service score. The maximum possible score is 100 points. The following scale is used to convert scores into qualitative customer service ratings:

- 90-100 points/percent – «excellent»;
- 83-89.99 points/percent – «good»;
- 75-82.99 points/percent – «satisfactory»;
- less than 75 points/percent – «unsatisfactory».

In 2011, the average customer service score across the Company’s filling stations was 84.25 points («good»).

The rating «excellent» was received by filling stations in Ulyanovsk, Voronezh, Belgorod, Moscow, Penza, Krasnodar, and Irkutsk.

The following key issues are typically discussed at the roundtable meetings with stakeholders:

Health, safety, and environment. For the last five years, stakeholders have noted the Company’s increasing attention to the level of industrial safety and environmental impacts of its production, refining, and marketing subsidiaries, growth of HSE expenditures, as well as modernization of oil and petroleum products storage facilities and transshipment facilities. Stakeholders appreciate the high level of industrial and environmental safety at a number of the Company’s entities, growth of the refining capacity without associated increase in environmental pressures, as well as a high level of collaboration with state supervisory authorities.

At the same time, stakeholders’ perception of the Company’s activities differs substantially between regions. This is a result of both different conditions of oil production and the scale of legacy environmental issues, as well as the management level. Substantial portion of the criticism targets the Company’s activities in the «older» oil production regions (Sakhalin, Krasnodar Territory), as well as protected and environmentally sensitive areas.

Employee relations. Typically, participants of regional stakeholder meetings are interested in discussing the aspects of the Company’s personnel relations that also affect other local stakeholders. For example, they raise questions about wage indexation, social benefits available to employees of Rosneft subsidiaries, as well as the Company’s continuous education system, which encompasses secondary schools, vocational schools and universities. During the pre-crisis and crisis periods, the issues discussed also included employee transfer to service subsidiaries, and the Company’s position with regard to headcount reduction. The stakeholders generally highly appreciate activities of the Company and its subsidiaries in this area.

Regional socio-economic development.

Participants of virtually all roundtable meetings noted a high level of the engagement of the Company and its subsidiaries with regional governments and other stakeholders. Stakeholders highly appreciated the contribution of most Rosneft subsidiaries to the development of their regions of operation. An important topic often discussed in the context of regional socio-economic development was the mechanism of public-private partnerships (PPP) as an effective form of the Company’s engagement with regional authorities. Over the five years of roundtable meetings, the level of discussion of this topic has changed dramatically. During the first series of roundtable meetings, stakeholders wondered what the term meant, but now different groups (ranging from local authorities to indigenous communities) propose specific PPP projects. At the same time, stakeholders expressed some concerns and expectations with regard to certain topics. One such topic was pension support available to veterans retired prior to the launch of the Company’s corporate pension program

(for more details on the Company’s activities in this area see Employees section).

Improvement of the Company’s information policy with regard to sustainability.

As the Company further developed its program of roundtable meetings, stakeholders became increasingly positive about its information policy with regard to sustainability. Furthermore, the participants offered a number of suggestions to improve the policy, which included, among others, the creation of stakeholder councils, measures to build an image of an environmentally responsible company etc.

▼ Regions where roundtable meetings with stakeholders to discuss Rosneft’s sustainability performance are held

Region	City	Number of meetings over the five past years
Sakhalin Region	Yuzhno-Sakhalinsk	5
Primorsky Territory	Nakhodka	1
Udmurt Republic	Izhevsk	5
Samara Region	Samara	4
Krasnoyarsk Territory	Krasnoyarsk	4
Khanty-Mansi Autonomous Area – Yugra	Khanty-Mansiysk	4
Komi Republic	Usinsk	5
Irkutsk Region	Angarsk	4
Krasnodar Territory	Krasnodar Tuapse	5 3
Khabarovsk Territory	Komsomolsk-on-Amur Khabarovsk	3 1
Khanty-Mansi Autonomous Area – Yugra	Nefteyugansk	5
Stavropol Territory	Stavropol	2
Yamalo-Nenets Autonomous Area	Gubkinsky	4
Archangelsk Region, including Nenets Autonomous Area	Archangelsk	3

Innovation Development



PERFORMANCE DURING THE REPORTING PERIOD

Adoption of the Innovation Development Program. Innovation development is a priority objective not only for Rosneft Oil Company, but also for the Russian economy at large. Rosneft was one of the first state-controlled companies to present a corporate innovation development program to the Russian Government and the Ministry for Economic Development. The program is aimed at the development and introduction of new technologies for addressing key operating objectives arising from the Company's development strategy. The program builds upon Rosneft's Innovation Development Concept, which was prepared in 2010.

The program covers 20 key areas for innovation, which encompass all major areas of the Company's business. The key innovation development areas and technologies covered by the program are summarized in Table. The full text of the program is available on the Company's website (www.rosneft.ru).

KEY DEVELOPMENTS IN 2011

- 1 The Board of Directors approved the Program of Innovation Development at OJSC Rosneft Oil Company, and the Program implementation started.
- 2 The position of Vice President for Innovation was introduced at Rosneft.

Key areas of scientific-innovation development and technologies

Area of activities	Key operating objectives	Necessary technologies
<i>Exploration and production</i>		
Exploration	<ul style="list-style-type: none"> Conversion of resources in Eastern Siberia and offshore resources into proven reserves Minimization of the cost of reserves growth 	<ul style="list-style-type: none"> High-resolution exploration and appraisal methods Laboratory complexes for in-depth non-conventional studies of properties of strata and fluids Technologies for 3D modeling of complex geological structures
Development and production	<ul style="list-style-type: none"> Improvement of the oil recovery ratio Minimization of capital and operating expenditures per unit of output Increase of the associated petroleum gas recovery rate to 95% 	<ul style="list-style-type: none"> New systems for the recovery from low-permeability and complex reservoirs Advanced technologies for the design and construction of wells Technologies for the identification and extraction of remaining reserves Gas separation techniques to recover valuable components Units to produce liquid hydrocarbons from gas
Offshore projects	<ul style="list-style-type: none"> Effective development of offshore oil fields in the Arctic and the Black Sea 	<ul style="list-style-type: none"> Technologies of oil field construction and development in the presence of sea ice and in the conditions of seasonal operations Technologies for ensuring environmental safety of offshore operations Technologies to protect underwater equipment from hydrogen sulphide
<i>Refining</i>		
Refining	<ul style="list-style-type: none"> Increasing the refining depth to the level of the leading foreign companies Development of petrochemical and lubricant manufacturing Keeping operating expenditures at the existing level 	<ul style="list-style-type: none"> Domestically produced new-generation catalysts and processes Technologies for the manufacturing of new products (polymers, jet fuel, lubricants) with unique properties

Innovation management at OJSC Rosneft Oil Company.

To support the implementation of the Company's Innovation Development Program, the following steps for the organizational strengthening of the corporate R&D divisions were taken in 2011:

- Responsibility for overseeing the implementation of the Company's Innovation Development Program was assigned to the Strategic Planning Committee of the Board of Directors..
- A new position of Vice President responsible for innovation development and new technologies and reporting directly to Rosneft Oil Company President was created at the Company's headquarters by the decision of Rosneft's Board of Directors, effective since March 25, 2011.

- A dedicated Department for Scientific and Technology Development and Innovation was created at the Company. The new unit is responsible for organizing the implementation of the Innovation Development Program, managing key areas of research, and dealing with intellectual property.
- The Company's Scientific and Technology Council was strengthened with highly-skilled experts, and its sections were expanded. These decisions were made based on the experience of Rosneft and other Russian companies, and recommendations of the Russian Ministry for Economic Development.
- In addition to the creation of dedicated management units and other organizational measures, a system of indicators (KPIs, working objectives) reflecting progress in



▲ Krasnoyarsk Oil and Gas Institute of Siberian Federal University

the field of innovation was introduced at all levels of the management hierarchy, including top managers, in order to support effective implementation of the corporate innovation program.

Corporate Research and Design Complex.

Rosneft's Corporate Research and Design Complex comprises 10 regional R&D and design institutes, of which seven specialize in exploration and production, and three – in refining and petrochemical industry. Thus, collectively, they support the entire production chain of Rosneft. Each year, the Company invests in the development of the corporate R&D and design institutes. All the institutes are provided with state-of-the-art laboratory equipment and software; new research and laboratory buildings are being constructed.

Creation of OJSC Rosneft Oil Company excellence centers at Russian universities.

In 2011, OJSC Rosneft Oil Company, with expert and analytical support from the National Research University – Higher School of Economics, developed a concept and prepared a package of regulatory and legal documentation for the

creation of a network of OJSC Rosneft Oil Company centers of excellence at leading Russian universities. Furthermore, a project for creating a center of excellence at Rosneft Oil Company's own leading specialist university was developed, and a package of documents regulating the creation and operation of the center was prepared. At present, Rosneft is implementing two projects to create pilot centers of excellence. The first one specializing in efficient use of associated petroleum gas will be based at the Gubkin Russian State University of Oil and Gas. The creation of the OJSC Rosneft Oil Company Innovation Center for Oil and Gas Processing and Petrochemical and Gas Chemical Industry has started at the Siberian Federal University (SFU). In December 2011, a plan for joint activities and effective collaboration between the Company and the SFU was approved.

QUANTITATIVE PERFORMANCE INDICATORS IN THE FIELD OF INNOVATION MANAGEMENT

Financing of innovation activities

	2010	2011
Spending on research and development, RUB billion	3	8.6

It is planned to invest over RUB 50 billion over the period 2011–2015.

Introduction of the new technology system (NTS)

	2011 год
Number of tests within the framework of the NTS	159
Additional oil production, thousand tonnes	140.8
Additional oil production from the introduction of successfully tested technologies, thousand tonnes	1143 ²
Economic benefits from the introduction of successfully tested technologies, RUB billion	Over 5

² Volume estimate.

▼ OC Rosneft has successful offshore experience

Cooperation with ExxonMobil in the field of innovation. In the second half of 2011, the **Arctic Research and Design Center for Offshore Development** was established.

The new center started its activities aimed at R&D and design support of joint projects. In the future, it is planned to expand the center through broader involvement of the Company's and ExxonMobil's specialists into its activities. It is expected that the center will use existing technologies of the two companies and develop new technologies to support the implementation of joint projects in the Arctic and other projects.



KEY DEVELOPMENTS IN 2011

- 1 A dedicated Department for Environmental Safety and Technology was created.
- 2 The Company successfully passed the second surveillance audit of its Integrated HSE Management System.
- 3 Within the framework of the corporate program for the management of past environmental damage, the Company carried out an inventory of the past pollution, which helped to obtain more accurate data on the accumulated waste from previous activities and contaminated lands. To ensure the timely and quality implementation of the program, dedicated units overseeing the respective activities were created at OJSC Rosneft Oil Company subsidiaries.
- 4 As part of the implementation of the Company's Innovation Development Program, the work has started to analyze, select and implement innovative projects and technologies aimed at the introduction of new environmental technologies and improvement of environmental safety of facilities operated by Rosneft Oil Company subsidiaries. These activities carried out jointly with the Department for Scientific and Technology Development and Innovation are focused primarily on offshore projects.



Environmental Performance



▲ Well 161 operated by OJSC Samaraneftgaz

In 2011, environmental management and environmental safety of operations received special attention from the Company's top management. One reason for this was the preparation for the implementation of major strategic projects in the extreme environmental conditions, including offshore projects in the Arctic, while another reason was the expected increase in adverse environmental impacts associated with the major modernization of the Company's refining operations in 2012–2015. In this context, Rosneft Oil Company management views the introduction of best available techniques in the field of energy efficiency and minimization of environmental impacts as a key strategic objective. To that end, in 2011, the Company made a lot of efforts to streamline and improve the management of environmental activities at the Rosneft headquarters level.

PERFORMANCE IN THE REPORTING PERIOD

Emissions into air. In 2011, the Company continued systematic efforts to control its emissions into air. At the same time total

emissions across the Company increased as a result of the rapid growth in oil production.

Within the framework of an earlier agreement with the World Bank regarding a joint implementation project, a booster compressor station with a capacity of 2.1 billion m³ was launched at the Komsomolskoye field at the end of 2011. The commissioning of the facility will allow to achieve a 98% associated petroleum gas (APG) recovery rate at the field in 2012. Representatives of the World Bank visited the site operated by LLC «RN-Purneftgaz» and concluded that all planned stages of the project implementation had been completed.

Furthermore, at the end of 2011, two supplementary agreements to existing contacts between Rosneft and Carbon Trade & Finance were signed to accommodate for changes in the schedule of launching the production at the Kharampurskaya group of LLC «RN-Purneftgaz» oil fields and in the expected volume of APG to be recovered.

At the end of 2011, the Company started developing a methodology for the inventory



▲ Gas turbine power plant at the Vankor field

of greenhouse gas emissions associated with its operations. The methodology, which was completed in the first half of 2012, covers all the key production, refining, marketing, and service subsidiaries of the Company, taking into account both direct and indirect GHG emissions. The results of the inventory are presented in the table below in accordance with the requirements of the Greenhouse Gas Protocol (hereinafter, the GHG Protocol) by the World Business Council

for Sustainable Development (WBCSD) and the World Resources Institute (WRI) and of the Sustainability Reporting Guidelines by the Global Reporting Initiative (Oil and Gas Sector Supplement). Standard emission factors provided in the IPCC Guidelines for National Greenhouse Gas Inventories (2006) and information about the composition of other gases burnt by the Company, including APG, were used in the calculations.

GHG emissions associated with operations of OJSC Rosneft Oil Company, 2011

	million tonnes of CO ₂ equivalent
Overall direct and indirect emissions	43.8
including	
direct emissions from fuel combustion and leakages (Scope 1 according to the GHG Protocol)	31.6
indirect emissions from consumption of purchased electricity (Scope 2 according to the GHG Protocol)	12.2
Emissions from the use of Company products (Scope 3 according to the GHG Protocol)	137.1

The following assumptions and limitations were used in estimating emissions from the use of Company products:

- Only emissions from combustion of the fuel immediately produced by the Company were included, i.e. emissions from possible combustion of crude oil sold by the Company (immediately or after processing into fuel by other companies), and from combustion of gas sold to other customers were not taken into account;
- Standard emission factors according to the IPCC Guidelines for National Greenhouse Gas Inventories (2006) were used.

Implementation of the Targeted Gas Program. In 2011, the Company continued implementing its Targeted Gas Program aimed at achieving a 95% APG recovery rate. In 2011, overall capital expenditures on the program amounted to RUB 24 billion, by RUB 7 billion more than in 2010. In 2012, it is planned to spend RUB 27.7 billion on the program. Overall, Rosneft's investment in the program, which has been implemented since 2006, will amount to some RUB 120 billion.

In 2011, the APG recovery rate across the Company decreased from 56.2% in 2010 to 53.7%. It is expected that the decline will continue in 2012, the planned value for which is 48.6%. This reflects the fact that the output of the Vankor field has been growing, while the respective gas transportation infrastructure has not been completed yet. In 2013, the recovery rate should increase dramatically, with the average annual value being 84%; the 95% target will be achieved in 2014. Without the Vankor field, the APG recovery rate across the Company currently amounts to 74%. Examples of actions of Rosneft Oil Company subsidiaries aimed at the implementation of the Targeted Gas Program are provided in the section The Company's Activities in the Regions of Operation.

Water consumption and wastewater discharge. In 2011, Rosneft Oil Company subsidiaries continued implementing projects to reduce water consumption per unit of output and pollutant content in the wastewater discharged, and to expand water re-use. Despite an increase in the output, wastewater discharges in absolute terms decreased in all segments of the Company's business except for service subsidiaries. In 2011, treatment equipment was being purchased; oil and gas production



▲ Emergency preparedness drill at Angarsk Petrochemical Company

COMPLIANCE WITH INTERNATIONAL MANAGEMENT SYSTEM STANDARDS

Between March 21 and May 6, 2011, the second surveillance audit of Rosneft Oil Company's Integrated HSE Management System (IMS) was carried out by Bureau Veritas Certification Rus, an international certification body. The audit was conducted at 11 sites of the Company's subsidiaries and in 10 units of its headquarters.

As a result of the audit, compliance of the Company's IMS with the international standard ISO 14001:2004 and the standard OHSAS 18001:2007 was confirmed; it was recommended to prolong the respective certificates.

At present, the certificates of conformance held by Rosneft cover 42 subsidiaries of the Company; another 8 subsidiaries hold their own certificates.

subsidiaries were building wastewater treatment facilities. These activities will be continued in 2012.

Waste management. In 2011, the Company was able to reduce the amount of waste accumulated at the subsidiaries' sites despite an increase in overall waste generation associated with the growth of output. This was a result of a series of projects completed in 2011. A number of waste disposal landfills were commissioned, including the one at the Kharampurskoye field operated by LLC «RN-Purneftegaz»; new units for the processing of oil-containing waste were launched; activities to ensure proper disposal of various waste types were continued.

The Company continued implementing the Program for the Elimination of Past Environmental Damage Accumulated Prior to the Consolidation of Subsidiaries. Among other actions, an inventory of contaminated lands and sludge pits was carried out. This helped produce more accurate estimates, which turned out to be lower than the previously reported numbers. Most actions of the program are implemented at LLC «RN-Yuganskneftegaz»; in 2012, it is also planned to implement a number of large-scale projects at LLC «RN-Purneftegaz» and LLC «RN-Sakhalinmorneftegaz».

Biodiversity conservation and restoration of damaged ecosystems. In the reporting period, Rosneft subsidiaries continued implementing actions aimed at biodiversity conservation, including stocking rivers with fish, building fish protection structures, and other activities. At present, the Company is building a system of operational environmental monitoring, which will cover, among other aspects, activities in natural protected areas.

▼ Euro diesel class C produced by the Achinsk Refinery - a winner of the All-Russian contest «100 best goods of Russia»



Energy efficiency. In 2011, the Company continued implementing its Energy Conservation Program for 2009–2013. As in the previous years, electricity saving measures were focused on oil production operations, while heat saving activities were implemented mainly in the refining sector. The consumption of associated petroleum gas and natural gas for the Company's own needs increased substantially compared to 2010, while the consumption of liquid fuel decreased.

Collectively, the Company's operations consumed 21.89 thousand GWh of electricity and 15.15 million Gcal of heat in 2011. Direct energy consumption amounted to 3.19×10^{17} J, while indirect consumption (expressed in terms of primary energy use) was 2.64×10^{17} J. As a result of a range of energy conservation actions, the most effective of them being the shutdown of a number of high water cut wells and improvement of the efficiency of pumps in oil production, the Company's operations were able to save over 520 GWh of electricity and over 100 thousand Gcal of heat.

Production of environmentally safer motor fuel. The Company's refineries are implementing major modernization programs in order to be able to produce motor fuels conforming to the requirements of the Technical Regulation on the Requirements for Motor and Aviation Gasoline, Diesel and Ship Fuel, Jet Fuel and Fuel Oil, approved by the Russian Government. The modernization of the existing units and construction of new ones on the basis of the most advanced technologies will allow to produce motor fuels compliant with the stringent environmental requirements of the Euro-5 standard.

The projects currently implemented within the framework of the program include a major modernization of the Tuapse Refinery, effectively amounting to the construction of a new plant; the installation of state-of-the-art catalytic cracking units at the Kuibushev and Syzran Refineries, a hydrocracking unit at the Novokuibyshevsk Refinery, a hydrocracking and a delayed coking unit at the Achinsk Refinery. A major diesel fuel hydrotreatment complex is being constructed at the Angarsk Petrochemical Plant; the construction of an isomerization unit has been completed. At the Komsomolsk Refinery, a delayed coking unit has been completed; a state-of-the-art hydrocracking unit is being constructed.

QUANTITATIVE ENVIRONMENTAL PERFORMANCE INDICATORS IN 2011

Environmental objectives of OJSC Rosneft Oil Company for the period until 2020, targets, and actual values of key indicators

Key indicator	2008 (target/ actual)	2009 (target/ actual)	2010 (target/ actual)	2011 (target/ actual)	2020 (target)
Reduction of adverse environmental impacts					
Associated petroleum gas recovery rate ³ , %	62.0/63.2	62.1/67.0	52.7/56.2	51.5/53.7 ⁴	95.0
Specific SO ₂ emission per tonne of output from the Company's operations, kg/tonne					
target	0.45	0.40	0.3	0.2	0.15
actual – production	0.29	0.08	0.07	0.062	
actual – refining	0.85	0.72	0.689	0.95	
actual – marketing	0.022	0.021	0.019	0.010	
Specific NO _x emission per tonne of output from the Company's operations, kg/tonne					
target	0.162	0.159	0.145	0.138	0.1
actual – production	0.116	0.10	0.074	0.178	
actual – refining	0.12	0.12	0.118	0.139	
actual – marketing	0.007	0.0051	0.004	0.002	
Ratio of the amount of waste accumulated (at the end of the year) from the Company's operations to the 2008 level, %	100	93/105.6	87/100.14	70/67.49	0

Total air emissions by sector, thousand tonnes

	2009	2010	2011
Total air emissions, including:	944.88	925.03	1,023.31
oil production	783.86	783.19	854.29
refining	111.93	110.20	145.28
gas processing	10.12	15.67	5.67
marketing	11.54	11.53	10.47
service subsidiaries	27.42	4.46	7.61

³ Data for all subsidiaries and dependent companies (with Company's ownership interest taken into account) in the upstream sector.

⁴ The trend of the indicator is discussed in the respective section of this Report.

QUANTITATIVE ENVIRONMENTAL PERFORMANCE INDICATORS IN 2011

Total air emissions by pollutant, thousand tonnes

	2009	2010	2011
Total air emissions, including:	944.88	925.03	1,023.31
solids	63.77	53.56	51.18
sulphur dioxide	49.44	50.72	45.52
carbon monoxide	496.51	502.30	525.19
nitrogen oxides	21.96	25.76	33.00
hydrocarbons (excl. VOCs)	123.81	107.24	186.97
volatile organic compounds	182.32	177.22	178.83
benzo(a)pyrene	0.00015	0.00076	0.00005

Water consumption by sector, mcm

	2009	2010	2011
Water consumption from all sources, including:	274.1	343.7	364.99
oil production	191.1	260.5	314.97
refining	73.5	71.6	45.71
gas processing	5.8	5.7	0.64
marketing	2.1	3.2	1.4 ⁵
service subsidiaries	1.5	2.4	2.27

Wastewater discharges to surface water bodies, thousand m³

	2009 г.	2010 г.	2011 г.
Total wastewater discharges to surface water bodies	98,239	95,165	90,409
Including:			
oil production	683	500	397
refining	95,835	92,445	88,393
gas processing	—	0	0
marketing	1068	1104	444 ⁵
service subsidiaries	654	1117	1174
Including:			
treated to a standard quality	81,877	78,390	60,977
polluted	16,362	16,439	29,416

⁵ A number of subsidiaries were excluded from the consolidation boundary.

QUANTITATIVE ENVIRONMENTAL PERFORMANCE INDICATORS IN 2011

Volume of recycled and reused water, mln m³

	2009	2010	2011
Volume of recycled and reused water, mcm	1391.4	1361.49	1363.09

Waste management, thousand tonnes

	2009	2010	2011
Waste stored at the beginning of the year,	2,389.2	2,523.8	2,317.6*
including oil sludge	372.7	363.0	287.7
Waste generation over the year,	1,264.4	1,513.5	1,736.0
including oil sludge	118.7	106.2	101.2
Waste recovery over the year,	252.8	336.3	230.9
including oil sludge	48.7	54.2	34.1
Decontaminated at the Company's facilities,	527.1	518.8	545.7
including oil sludge	40.4	46.5	18.3
Sent to external organizations for disposal,	635.3	1,178.1	2,480.1
including oil sludge	40.0	46.7	94.3
Waste stored at the end of the year,	2,523.8	2,402.7	1,616.4
including oil sludge	363.0	350.6	276.6

* Volume of waste at the beginning of 2011 differs from volume at the end of 2010 since several subsidiaries were excluded from the consolidation borders

Area of contaminated land and land remediation, ha

	2009	2010	2011
Area of contaminated land at the end of the year	n/a	n/a	2,827.02 ⁶
Land reclamation over the year,	2,419.39	2,548.19	3,134.9
incl. contaminated land	488.81	849.01	1,285.71

Number of sludge pits

	2010	2011
at the beginning of the year	840	813
at the end of the year	813	657
built over the year	74	58
remediated over the year	100	214

⁶ In 2011 the procedures for data collection of oil spills and contaminated areas were enhanced. Data, published during previous years might be imprecise and thus are excluded from this report.

Industrial Safety and Occupational Health



In the reporting period, the Company's management continued to pay serious attention to industrial safety and occupational health: a dedicated Safety and Health Department was created, a large-scale program of health and safety inspections at subsidiaries and contractor companies was carried out, corporate OHS standards and other internal regulations were revised and improved. To strengthen employee motivation for HSE compliance, OJSC Rosneft Oil Company declared 2012 to be the Year of Health, Safety, and Environment.

PERFORMANCE DURING THE REPORTING PERIOD

Workplace safety. As a result of preventive measures implemented by the Company in the reporting year, the occupational injury rate decreased by 7.8% compared to 2010; the rate of work-related road injuries decreased two-fold compared to the previous year. As in the previous years, the main causes of injuries include inadequate organization of work and failure to comply with safety requirements.

Unfortunately, in the reporting period the occupational fatality rate increased from 0.025 to 0.027 (fatalities per 1 million working hours). This negative dynamic is a result of several incidents, which occurred due to the fault of third-party persons.

A concept for the development of the Company's OHS activities and the improvement of their effectiveness is being developed. The following key objectives of the concept have been defined:

- Improving employee awareness of OJSC Rosneft Oil Company management's commitment to occupational health and safety; achieving universal understanding of the high priority given to workplace safety across the Company.
- Reducing the number of employees' actions involving risks to their lives and health.
- Strengthening employee motivation for safe working practices.
- Improving the quality of safety-related information (training, orientations) targeted at workers.
- Ensuring continuing financing of OHS activities.

- Building the image of OJSC Rosneft Oil Company as a company seeking to improve workplace conditions and safety.

In the reporting year, the Company continued workplace assessment in terms of working conditions. By the end of 2011, 88% of workplaces had been certified as compliant with the respective requirements.

In 2011, overall expenditures on OHS and operational safety were over RUB 3.5 billion.

Accident prevention and emergency preparedness. In 2011, the Company continued to maintain its accident prevention and response system. To maintain continuous preparedness, a total of 249 spill cleanup, firefighting, and accident response drills were carried out in the reporting year. Over 17 thousand employees of Rosneft Oil Company subsidiaries took part in the drills. An on-site meeting titled Development of Rosneft Oil Company's United System of Accident Prevention and Response and Improvement of Emergency Resilience was conducted. No emergencies, major accidents, or fires took place at the Company's facilities in 2011. Overall, three accidents took place at Rosneft Oil Company facilities; they involved no injuries and insignificant damage to the environment and the Company's property. For each accident, an investigation led by a representative of the respective supervisory agency was carried out; measures to prevent similar accidents in the future were identified and implemented.

In 2011, a targeted corporate program for the modernization and equipping of fire services of Rosneft Oil Company subsidiaries in 2012 was adopted. The Company's actions to improve fire safety and well control resulted in a steady decline in the number of fires (from 8 in 2010 to 5 in 2011) and gas, oil, and water inflows (from 5 in 2010 to 4 in 2011).

As a response to the Fukushima nuclear accident in Japan, additional measures to ensure the safety of operational staff of LLC RN-«Sakhalinmorneftegaz», LLC RN-«Nakhodkanefteprodukt», LLC RN-«Vostoknefteprodukt», and the LLC Komsomolsk Refinery in case of deterioration of the radiation situation were developed and implemented.

In 2011, the Company's expenditures on accident prevention and response, fire and radiation safety remained at the previous year's level, amounting to RUB 4.5 billion.



▲ Emergency preparedness drill at the Komsomolsk Refinery

OHS INSPECTIONS

In 2011, specialists of OHS services of OJSC Rosneft Oil Company subsidiaries carried out some 5800 OHS inspections at subsidiary and contractor companies and identified almost 30 thousand cases of non-compliance.

As a measure to prevent road injuries, inspections of the use of seat belts were carried out on a continuous basis. In the reporting year, over 10 thousand such inspections were carried out at OJSC Rosneft Oil Company subsidiaries, which helped prevent over 800 cases of non-compliance.

A Workplace Safety Month was carried out in OJSC Rosneft Oil Company subsidiaries. The campaign involved over 120 thousand OHS orientations and more than 8 thousand unscheduled and targeted OHS inspections, conducted in addition to regular ones.

OJSC Rosneft Oil Company's Central Operational Oversight Commission carried out 23 major inspections of OHS, industrial safety, and fire safety at the Company's subsidiaries. The inspections help identify necessary measures, ensure that every accident is investigated, and improve the quality of investigation. At OJSC Rosneft Oil Company subsidiaries, the responsibility for accidents and workplace injuries was elevated to the level of chief executive officers.

Pipeline reliability. In 2011, the Company continued implementing its Pipeline Reliability Improvement Program. Among other measures, a centralized electronic reporting system was introduced to track the state of pipelines, failures, spills, actions to improve pipeline reliability etc.

KEY DEVELOPMENTS IN 2011

- 1 A dedicated department reporting directly to the OJSC Rosneft Oil Company Vice President was created for the management of industrial safety and occupational health and at the Company.
- 2 As a result of actions taken by the Company, the absolute number of occupational injuries decreased; the number of injuries resulting from road accidents decreased substantially.
- 3 A concept for the development of the Company's activities in the field of workplace safety and the improvement of their effectiveness was developed.

QUANTITATIVE PERFORMANCE INDICATORS IN THE FIELD OF INDUSTRIAL SAFETY AND OCCUPATIONAL HEALTH IN 2011

Health and safety objectives of OJSC Rosneft Oil Company for the period until 2020, targets, and actual values of key indicators

Key indicator	2008 (target/ actual)	2009 (target/ actual)	2010 (target/ actual)	2011 (target/ actual)	2020 (target)
Continuous reduction of the occupational injury rate					
Number of fatalities per 1 mln hours worked	0.050/0.021	0.048/0.075	0.046/0.025	0.044/0.026	No more than 0.025
actual – excl. fatalities due to the fault of third-party persons		0.045	0.025	0.020	
Number of occupational injuries per 1 mln hours worked	0.250/0.247	0.24/0.264	0.23/0.22	0.21/0.187	No more than 0.14
actual – excl. injuries due to the fault of third-party persons		0.018	0.17	0.147	
Continuous reduction of the occupational injury rate in transportation					
Number of injured in road accidents per 1 mln hours worked	0.070/0.033	0.065/0.064	0.06/0.09	0.055/0.043	No more than 0.02
actual – excl. injuries due to the fault of third-party persons		0.008	0.036	0.02	
Rate of pipeline ruptures per 1 mmt of output in the oil and gas production sector	160.6/133.5	139.2/125.4	119.4/103.56	103.4/90.4	66
Amount of spilled oil per 1 mmt of output in the oil and gas production sector	364.2 /53.71	299.5/50.03	252.3/23.43	216.6/8.7	7
Reduction of the number of fires and technogenic emergencies					
Ratio of the number of fires in the Company's operations to the 2008 level, %	100	87/70	78/40	72/25	33
Number of technogenic emergencies per 1 thousand of hazardous industrial facilities across the Company's operations	0.24	0/0	0/0	0/0	0

Accidents at OJSC Rosneft Oil Company's operations

	2009	2010	2011
Total number of accidents,	3	1 ⁷	3
incl. with environmental consequences	1	0	0

⁷ The previously reported data for 2010 has been corrected. The accident cited was not included in the 2010 Report, since the accident investigation had not been completed by the moment of publication. The accident involved a leak from pipelines of OJSC Samaraneftgaz and CJSC Neftekhimiya and subsequent ignition of air/vapor mixture. Due to the presence of pipelines of other companies, laid within the same corridor, necessary studies, expert reviews, and approval of investigation materials took a long time. Therefore the accident investigation, carried out by the Sredne-Povolzhskoye Department of the Federal Service for Environmental, Technological and Nuclear Supervision was completed only in 2011. The cause of the leak from the pipeline of Samaraneftgaz was a violation of integrity of pipeline seal resulting from criminal activity of unidentified persons.

Occupational injuries among Company and contractor employees

	2009	2010	2011
Total number of occupational injuries,	70	63	56
incl. fatalities	20	7	8
Number of occupational injuries, excluding injuries due to the fault of third-party persons,	48	47	44
incl. fatalities	12	7	6
Occupational injury rate (injuries per 200 thousand hours)	0.053	0.044	0.37
Occupational injury rate (injuries per one million hours)	0.264	0.22	0.187
Occupational fatality rate (cases per 100 million hours)	7.54	2.55	2.68
Number of occupational injuries among contractors' employees at the premises of Rosneft subsidiaries,	25	27	25
incl. fatalities	12	14	6

Pipeline ruptures and oil spills

	2009	2010	2011
Total number of pipeline ruptures (oil, gas, and water pipelines)	12,455	12,385	11,069
Number of oil pipeline ruptures involving spills	7526	7817	7134
Spilled oil and petroleum products ⁸ , tonnes	n/a	n/a	1066
Pipeline rupture rate, per km	0.32	0.31	0.28

OJSC Rosneft Oil Company pipeline system and pipeline protection measures, km

	2009	2010	2011
Total pipeline length	53,217	54,076	54,074
Total length of operational pipelines at the end of the period	40,043	39,107	38,907
Pipeline modernization and repairs	714	701	872
Construction of pipelines with internal coating	144	169	143
Corrosion inhibition works	7,815	8,770	9,121
Pig cleaning works	5,425	5,915	5,959
Pipeline inspection and safety assessment	6,759	6,331	7,382

⁸ In 2011, the Company improved its procedures for the collection of information about oil spills and area of contaminated lands. The Company provides information about all recorded pipeline ruptures involving oil spills. Since the data published in the previous years may be inaccurate, they are not included in this Report.

Employees



36 page ▲ Control room of primary oil treatment plant at the Syzran Refinery

In 2011, the Company continued all employee development and support programs, which were implemented in the previous year, maintaining their funding level. In the context of the Company's growing involvement in major international projects, employee selection and development takes on a new strategic significance.

KEY DEVELOPMENTS IN 2011

- 1 The Company approved corporate guidelines for the preparation of collective agreements, which defined a standardized set of social benefits and guarantees available to employees of all Rosneft Oil Company subsidiaries.
- 2 Rosneft Oil Company approved an updated version of the corporate standard «Corporate Pension Support of Employees of OJSC Rosneft Oil Company and its Subsidiaries and Dependent Companies».
- 3 As part of the Company's Veteran Social Support Project, over 6.5 thousand Rosneft Oil Company veterans retired prior to the launch of the corporate pension program have been included in the program and now receive corporate pensions through Neftegarant Non-State Pension Fund.
- 4 Partnership with universities became an important instrument of the Company's innovation policy.

PERFORMANCE IN THE REPORTING PERIOD

Employee remuneration. In 2011, the size of employee remuneration continued growing in virtually all subsidiaries of the Company. As in the previous years, the average salaries paid by most Company subsidiaries exceeded the average salary levels in the respective regions. The Company also continued developing and implementing a bonus system based on key performance indicators. In the reporting period, a system for determining annual bonuses paid to middle-level managers of the OJSC Rosneft Oil Company headquarters, as well as general directors of Rosneft subsidiaries and their deputies has been approved.

Corporate training system. In 2011, the Company maintained all its training programs, including both compulsory training and corporate training in technical and management skills. Rosneft Oil Company actively trained staff to meet the demands of new projects, including the Vankor oil field and the first stage of the upgraded Tuapse refinery. In 2011, the Company made significant progress in the introduction of competency-based employee assessment technologies and standardization of professional requirements on the basis of competency profiles. Within the framework of an innovative project titled «Introduction of a Competency-Based Method of Employee Assessment and Development at Rosneft oil Company», 380 technical competency profiles and respective assessment tools for managers and specialists in the oil and gas production sector have been developed. The development of similar profiles and instruments for other sectors of the Company's business has started.

The Company continued to make use of its training infrastructure comprising 53 training sites. At present more than half of the Company's training needs are met by its own corporate trainers. In 2011, almost 130 thousand man-courses in all training areas were delivered.

Working with the youth. As part of its youth policy, Rosneft Oil Company has been expanding the scope of its «School – University – Company» continuous education system aimed at ensuring the inflow of highly educated young candidates graduated from the best Russian universities and prepared to achieve both day-to-day and strategic business objectives, including those related to innovation. In 2011, the Company continued to make use of the system, motivating and selecting the best university



37 page ▲ The «Best in Profession» contest 2011 in Samara

students, offering them work placements and recruiting them. In February 2011, the 3rd students' festival «The Future of Rosneft» was held in Moscow with 116 students from 22 universities participating in the event. In October 2011, business games for students who graduated from «Rosneft Classes» in 2009–2011 were carried out for the first time at three universities – the Oil and Gas Institute at the Siberian Federal University, Tyumen State Oil and Gas University, and Samara State University of Technology. A total of 215 students took part in the events.

Working with young professionals.

The Company has developed and implemented a number of activities targeted at young professionals in order to facilitate their adaptation, professional growth, and development of management competencies. They are involved in corporate conferences of young professionals and encouraged to participate in various external events on behalf of the Company. Young professionals' councils are active at 46 Rosneft Oil Company subsidiaries. In 2011, the first company-wide workshop for chairs of the councils was carried out. Representatives of 44 Rosneft Oil Company subsidiaries took part in the event



▲ Adaptation contest for young professionals at OJSC Rosneft - Altaynefteproduct

titled «The Ideal Young Professionals' Council: Leadership Skills and Concrete Actions for the Maximum Effectiveness». During the course of the workshop, participants jointly developed projects to improve the effectiveness of young professionals' councils at Rosneft.

Over three hundred young professionals in their third year of service with the Company took part in business games. The games' results were used to select young professionals with leadership potential, who then received a two-module leadership development program titled «The Growth Leaders». The specialists selected were recommended for the inclusion into the third tier of the Company's candidate pool. A conference for mentors of young employees was also organized with 76 representatives from 44 subsidiaries participating in the event. For the first time, each participant received Mentor's Toolkit, a set of guidance materials to be used in subsequent work.

Working conditions and employee health. Rosneft Oil Company pays special attention to the planning and implementation of actions aimed at improving working conditions and well-being of its

employees and helping them maintain their health. The Company continues implementing its program of bringing working conditions, including amenities available to employees, in compliance with the existing standards. To that end, modernization of shift camps is carried out, modern office buildings are constructed. The Company and its subsidiaries conduct annual medical check-ups and vaccination campaigns, analyze employee illness statistics and take preventive measures. Systemic efforts to ensure comfortable and healthy workplace conditions are made. Employees are offered health resort treatment and voluntary medical insurance schemes.

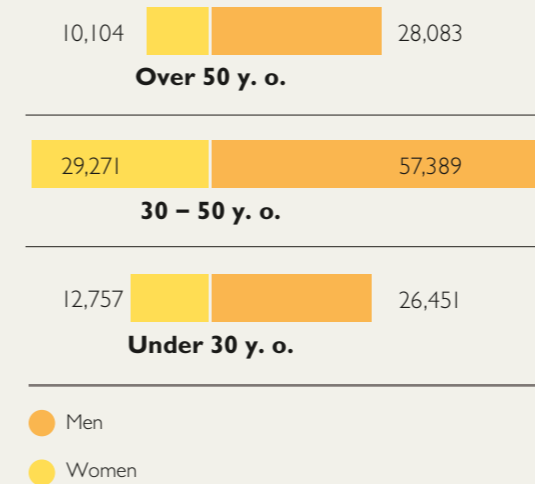
Standardization of social benefits available to employees. In 2011, the Company approved corporate Guidelines for the preparation of collective agreements, which defined a standardized set of social benefits and guarantees available to employees of all Rosneft Oil Company subsidiaries. Over the reporting year, negotiations with employee representatives were carried out and new collective agreements based on the guidelines were signed in most Company subsidiaries. In 2012, it is planned to complete the signing of new collective agreements and the introduction of social benefits and guarantees standardized across the Company.

Corporate pension program and care for veterans. In 2011, the Company made substantial efforts to improve pension schemes available to its employees and veterans. One result of those efforts was the approval of an updated version of the Corporate Standard «Corporate Pension Support of Employees of Rosneft Oil Company and its Subsidiaries and Dependent Companies», which offered employees extended opportunities for building up their pension savings. To make employees aware of those new opportunities, representatives of the Company's headquarters held a number of meetings at Rosneft Oil Company subsidiaries to discuss corporate pension schemes.

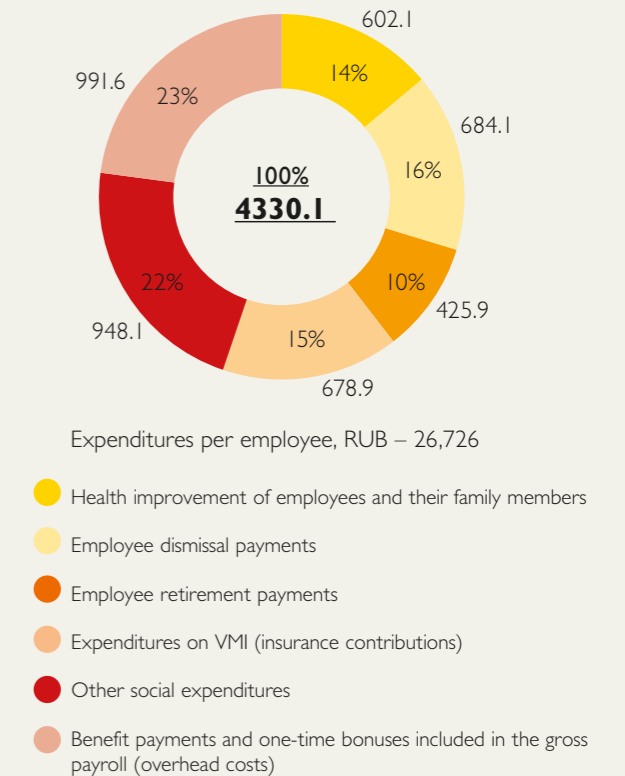
Furthermore, in 2011, as part of the Veteran Social Support Project, over 6.5 thousand Rosneft Oil Company veterans retired prior to the launch of the corporate pension program were included in the program and started receiving corporate pensions on a monthly basis through «Neftegarant» Non-State Pension Fund. Within the framework of collective agreements, some RUB 254 million was spent on subsidizing health resort treatment for employees and various forms of allowances associated with holidays and special family circumstances.

QUANTITATIVE PERFORMANCE INDICATORS IN THE FIELD OF EMPLOYEE RELATIONS IN 2011

Breakdown of Rosneft workforce by gender and age, persons



Social expenditures, benefit payments and one-time bonuses included in the gross payroll, 2011, RUB million



Occupational pension system

	2010 r.	2011 r.
Rosneft's contributions to the «Neftegarant» pension fund, RUB million	2,479	2,679
Number of persons receiving corporate pensions	31,553	39,893
Pension payments, RUB million	634.15	753.26
Total value of personal pension plans with the «Neftegarant» fund, RUB million	740.55	1,174.26
Number of persons having personal pension plans with the «Neftegarant» fund	19,690	26,714
Number of Rosneft employees covered by the occupational pension system	Over 120 thousand	Over 125 thousand

QUANTITATIVE PERFORMANCE INDICATORS IN THE FIELD OF EMPLOYEE RELATIONS IN 2011

Comparison of monthly salaries in selected OJSC Rosneft Oil Company subsidiaries and the regions where they are based in 2011, RUB/month

N ^o	Significant regions of operation	Subsidiary	Sector	Average salary paid by the subsidiary, 2010	Average salary paid by the subsidiary, 2011	Relative increase of the average salary paid by the subsidiary in 2011, % ⁹	Average salary in the respective region in 2011 (statistical data) ¹⁰
1	Krasnoyarsk Territory	CJSC Vankorneft	P	89,230	120,225	35%	25,828
2	Krasnoyarsk Territory	OJSC East Siberian Oil and Gas Company	P	96,708	95,871	-1%	25,828
3	Krasnoyarsk Territory	OJSC Achinsk Refinery VNK	R	40,542	44,783	10%	25,828
4	Krasnoyarsk Territory	LLC RN-Krasnoyarsk-nefteprodukt	M	51,228	47,764	-7%	25,828
5	Irkutsk Region	OJSC Angarsk Petrochemical Company	R	35,737	40,395	13%	22,779
6	Irkutsk Region	OJSC Angarsk Polymer Plant	R	35,820	38,372	7%	22,779
7	Irkutsk Region	CJSC Irkutsknefteprodukt	M	22,686	24,782	9%	22,779
8	Khanty-Mansi Autonomous Area — Yugra	LLC RN-Yuganskeftegaz	P	62,304	66,836	7%	46,424
9	Yamalo-Nenets Autonomous Area	LLC RN-Purneftegaz	P	61,382	69,947	14%	59,018
10	Yamalo-Nenets Autonomous Area	OJSC Rosneft-Yamalnefteprodukt	M	26,930	33,046	23%	59,018
11	Komi Republic	LLC RN – Severnaya Neft	P	74,270	77,683	5%	28,789
12	Archangelsk Region, incl. Nenets AA	LLC Polar Lights Company	P	108,964	118,361	9%	25,194
13	Archangelsk Region, incl. Nenets AA	LLC RN-Archangelsknefteprodukt	M	21,764	23,712	9%	25,194
14	Primorsky Territory	LLC RN-Nakhodkanefteprodukt	M	31,004	33,645	9%	24,433
15	Khabarovsk Territory	LLC RN – Komsomolsk Refinery	R	36,385	44,014	21%	26,702
16	Khabarovsk Territory	LLC RN-Vostoknefteprodukt	M	30,176	33,435	11%	26,702
17	Sakhalin Region	LLC RN-Sakhalinmorneftegaz	P	54,502	57,362	5%	38,458
18	Sakhalin Region	CJSC RN-Shelf Far East	O	124,010	136,433	10%	38,458

N ^o	Significant regions of operation	Subsidiary	Sector	Average salary paid by the subsidiary, 2010	Average salary paid by the subsidiary, 2011	Relative increase of the average salary paid by the subsidiary in 2011, % ⁹	Average salary in the respective region in 2011 (statistical data) ¹⁰
19	Udmurt Republic	OJSC Udmurtneft	P	34,357	38,446	12%	15,836
20	Samara Region	OJSC Samaraneftgaz	P	39,048	42,841	10%	18,650
21	Samara Region	OJSC Novokuibyshevsk Refinery	R	28,100	32,529	16%	18,650
22	Samara Region	OJSC Kuibyshev Refinery	R	29,473	31,631	7%	18,650
23	Samara Region	OJSC Syzran Refinery	R	29,002	30,650	6%	18,650
24	Samara Region	OJSC Samaranefteprodukt	M	14,251	16,017	12%	18,650
25	Samara Region	LLC Novokuibyshevsk Oils and Additives Plant	R	29,136	31,351	8%	18,650
26	Krasnodar Territory	LLC RN-Kransodarneftegaz	P	21,685	27,530	27%	18,661
27	Krasnodar Territory	LLC RN – Tuapse Refinery	R	31,102	36,338	17%	18,661
28	Krasnodar Territory	LLC RN-Tuapsenefteprodukt	M	29,064	28,952	0%	18,661
29	Krasnodar Territory	OJSC RN-Kubannefteprodukt	M	14,225	15,065	6%	18,661
30	Stavropol Territory	LLC RN-Stavropolneftegaz	P	19,543	23,032	18%	16,241
31	Stavropol Territory	OJSC Rosneft-Stavropolneftegaz	M	14,762	16,431	11%	16,241
32	Chechen Republic	OJSC Grozneftegaz	P	18,239	20,111	10%	15,282
33	Dagestan Republic	OJSC Rosneft-Dagneft	P	11,653	12,891	11%	11,479
34	Dagestan Republic	OJSC Dagneftegaz	P	12,235	13,354	9%	11,479

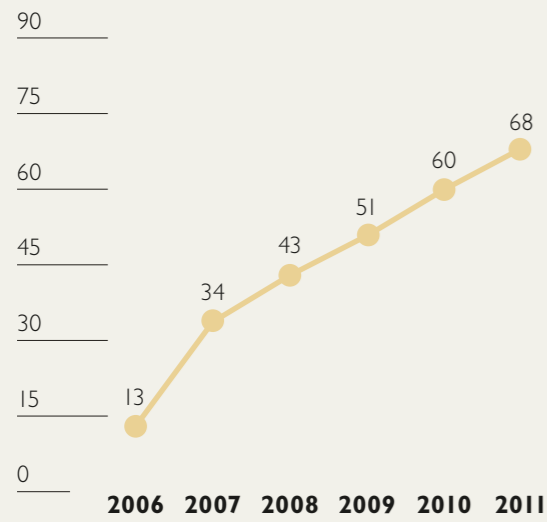
⁹ Since April 1, 2011, salaries paid by most OJSC Rosneft Oil Company subsidiaries were indexed by 6.5%. The differences between subsidiaries in the actual increase of average monthly salary in 2011 are a result of structural changes, changes in the qualification structure of the staff, and the Company's individual decisions on increasing salaries for certain employee groups or providing one-time allowances.

¹⁰ Here and below in this Report, average monthly salaries in Russian regions are cited according to the data of the Federal Service for State Statistics available on the official website www.gks.ru

QUANTITATIVE PERFORMANCE INDICATORS IN THE FIELD OF EMPLOYEE RELATIONS IN 2011

DEVELOPMENT OF THE SYSTEM OF OJSC ROSNEFT OIL COMPANY CLASSES

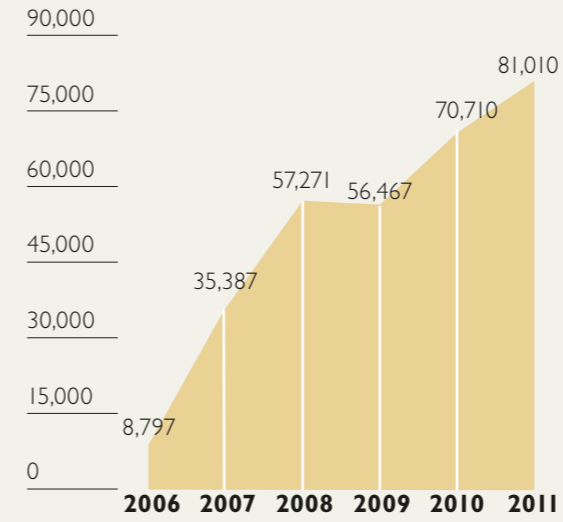
Number of Rosneft Classes



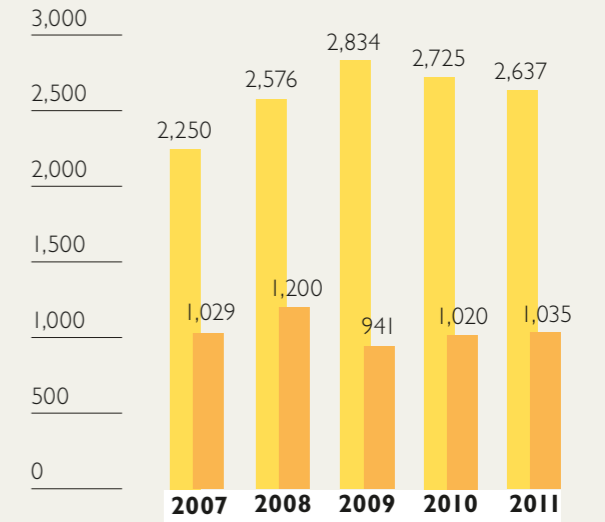
Number of students, number of regions



Expenditures on Rosneft Classes, RUB thousand



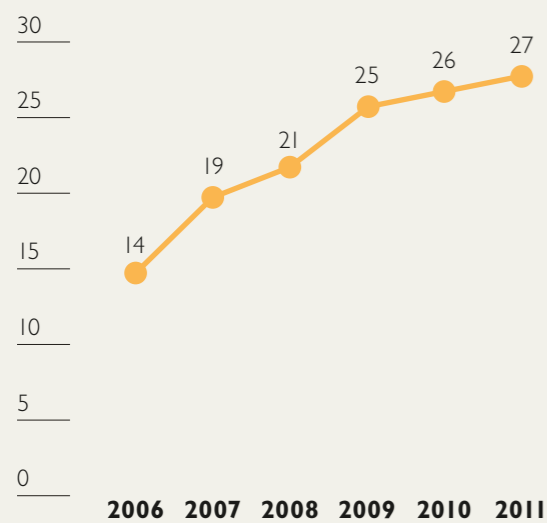
Young professionals at OJSC Rosneft Oil Company



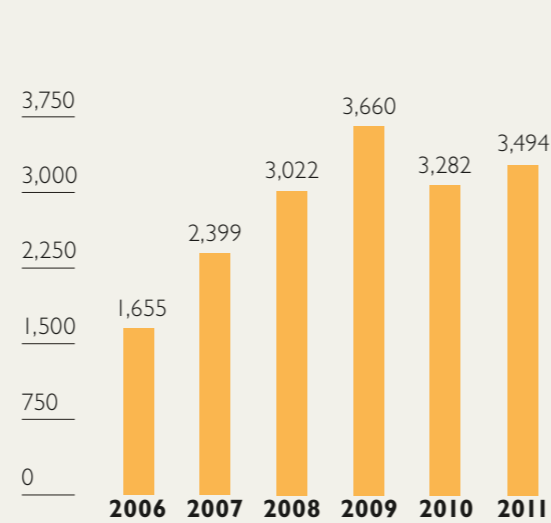
■ Number of young professionals at the Company
■ Number of young specialists recruited after graduating from a university

DEVELOPMENT OF COOPERATION WITH UNIVERSITIES

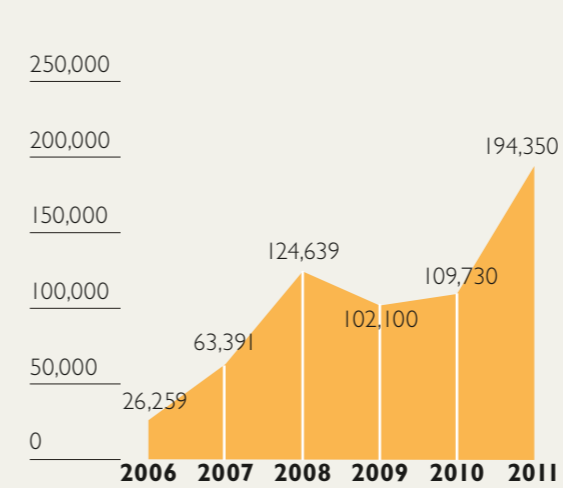
Number of partner universities



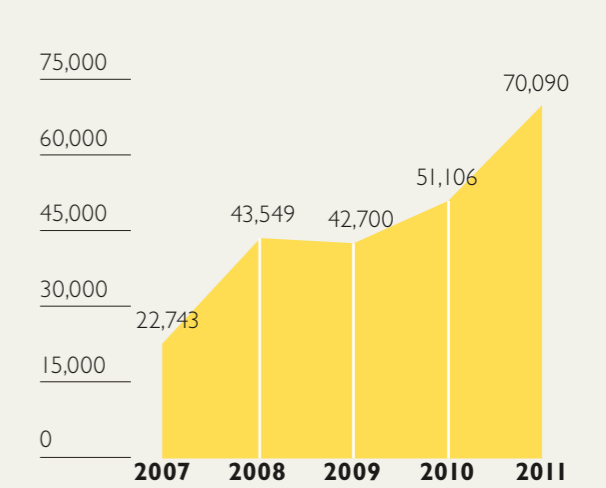
Number of students who received work placements



Expenditures on cooperation with universities, RUB thousand



Expenditures on work with young professionals, RUB thousand



Society



In 2011, the Company and its subsidiaries continued all programs aimed at the development of cooperation with regional governments and stakeholders in the regions where OJSC Rosneft Oil Company operates. The Company expanded its partnership with regional governments on the basis of framework cooperation agreements and continued supporting indigenous communities and various charitable initiatives. In the reporting year, the Company launched several new initiatives, which are expected to become annual events, playing an important role in the life of the Company and the regions where it operates.

PERFORMANCE IN THE REPORTING PERIOD

Cooperation with the regions of operation. Within the general framework defined by cooperation agreements with regional and municipal governments, the Company has supported numerous projects for the construction, modernization and equipping of

social infrastructure facilities by providing funds on the basis of specific donation agreements.

In 2011, Rosneft's expenditures within the framework of regional socio-economic cooperation agreements amounted to RUB 3,227.8 million. In accordance with corporate traditions, the funds were used to address socially significant objectives, including the improvement of infrastructure, as well as support of educational, research, and healthcare institutions, culture and spiritual heritage, charitable foundations and non-governmental organizations.

Overall, in 2011, the Company and its subsidiaries sponsored the construction, renovation, and equipping of over 70 kindergartens and other pre-school institutions, 140 schools, over 20 cultural and 14 sports facilities, 24 healthcare institutions, and 23 temples.

Sports events. In addition to the annual Rosneft Summer Spartakiad (a multi-sports team-based tournament) conducted for the seventh time, the first Rosneft Winter Spartakiad was held in 2011. Over 300 athletes representing 18 teams of the Company's subsidiaries took part in the event, which featured a hockey tournament, skiing and skating competitions, and a sled relay race.

The Spartakiad was held between February 28 and March 5, 2011, at Novogorsk and Planemaya Olympic training centers (Khimki, Moscow Region). The First Championship of the Sochi 2014 Partner League, carried out within the framework of Rosneft Winter Spartakiad, became a prominent event and had a strong resonance among other partners of the XXII Winter Olympics.

According to the unofficial ranking of participating teams, the following Rosneft subsidiaries came out the best in the Spartakiad:

- OJSC Angarsk Petrochemical Company and OJSC Angarsk Polymer Plant (represented by a joint team) – ranked first;
- OJSC Udmurtneft – ranked second;
- OJSC Achinsk Refinery – ranked third.

The winners and runners-up were rewarded with cups, medals, diplomas, and certificates for monetary prizes.

Social projects. The project titled «Rosneft. Environment. Health» became a special event in the lives of several cities where the Company's operations were based. It was a cultural and



▲ Qualifying round of the talent festival at the Komsomolsk Refinery

CORPORATE TALENT FESTIVAL «ROSNEFT IGNITES STARS»

Rosneft Ignites Stars, a corporate talent festival and competition, was conducted in three stages: selection rounds, regional competitions, and the finals held in Moscow. The festival of the Company's talents culminated in a major gala concert held at the Moscow House of Music.

Over two thousand participants – employees of 36 Rosneft Oil Company operations and their family members – participated in the three stages of the «Rosneft Ignites Stars» festival.

The Grand Prix of the festival was won by the OJSC Novokuibyshevsk Refinery's ensemble.

sports project implemented by Rosneft jointly with the Sochi 2014 Organizing Committee.

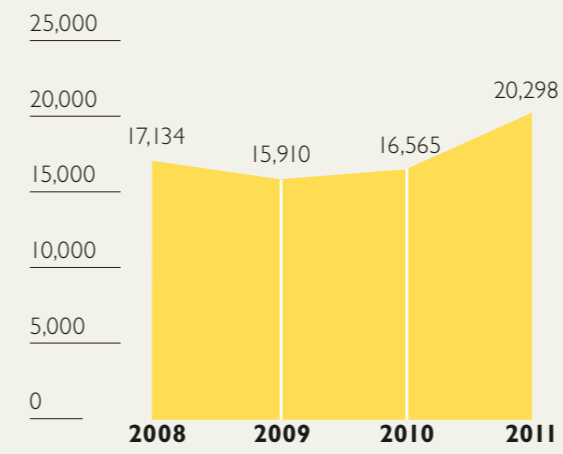
Various project events took place in August and September 2011 in Nefteyugansk, Nakhodka, Krasnoyarsk, Naryan-Mar, Samara, and Tuapse. The project activities included voluntary cleanup actions, carried out jointly by Company employees, local residents, and representatives of municipal authorities, sports competitions among children and adults, as well as visits to children's homes and residential schools. A show program featuring artists of Cirque du Soleil and popular musicians was presented in the central squares of the participating cities. The objective of the project was to promote sports, healthy lifestyle, and care for the environment

KEY DEVELOPMENTS IN 2011

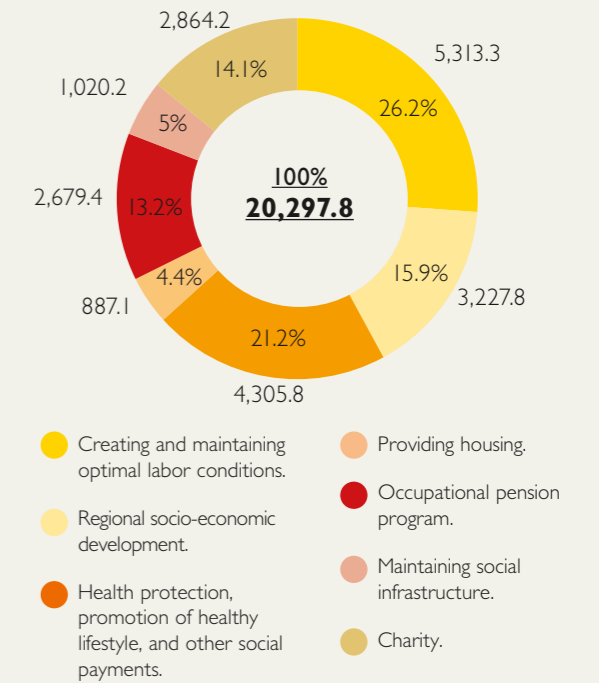
- 1 The First OJSC Rosneft Oil Company Winter Spartakiad was conducted.
- 2 The cultural and sports festival «Rosneft. Environment. Health», a joint project of Rosneft Oil Company and the Sochi 2014 Organizing Committee, was launched.
- 3 The Company launched the corporate talent festival «Rosneft Ignites Stars», which was conducted in Rosneft's regions of operation with the finals held in Moscow.



OJSC Rosneft Oil Company spending on social programs, RUB mln



Expenditures on the main areas of the corporate social policy in 2011, RUB mln



Expenditures on supporting minority indigenous peoples of the North, RUB mln

	2009	2010	2011
Housing construction	35.1	33.3	26
Construction or repairs of social facilities	4	6.5	6
Construction or repairs of infrastructure	6.3	20	3
Providing equipment and other resources	56.5	56.7	84.7
Preservation of traditional culture, health improvement programs	11.3	25.5	61.9
Total	113.2	142.0	181.6

Social expenditures in the regions of operation¹², RUB mln

	2009	2010	2011
Pre-school institutions	4.5	44.4	670.5
Schools	55.0	602.5	133.1
Cultural facilities	270.0	56.8	65.6
Sports facilities	248.0	372.6	437.9
Health care institutions	60.0	41.1	151.9
Revival of spiritual heritage (temples, mosques etc.)	28.6	46.7	90.5
Assistance to minority indigenous peoples of the North	112.1	98.5	142.7
Miscellaneous	1,084.0	617.1	1,535.6
Total	1,862.2	1,879.7	3,227.8

¹² According to management accounts.

▲ The first Rosneft Oil Company Winter Spartakiad was conducted in 2011

QUANTITATIVE SOCIETY PERFORMANCE INDICATORS IN 2011

OJSC Rosneft Oil Company charity spending by category¹¹, RUB mln

	2009	2010	2011
Health care	4.0	13.53	341.9
Education and science	171.8	157.72	336.2
Sports	13.8	41.35	56.3
Culture	1.0	12.05	175.5
Pre-school institutions	4.2	10.47	22.4
Aid to veterans and persons with disabilities	21.2	24.71	72.1
Charitable and non-governmental organizations, humanitarian aid	64.4	6.2	180.0
Revival of spiritual heritage	489.9	1,357	1,582.7
Minority indigenous peoples of the North	1.1	2.86	9.9
Regional, district, and municipal authorities	15.3	7.41	70.1
Miscellaneous	9.3	18.7	17.1
Total	796.0	1,652.0	2,864.2

¹¹ According to management accounts.

Company's Activities in its Regions of Operation



52

The Company in the Central
Federal District

56

The Company in the Northwestern
Federal District

60

The Company in the Southern
Federal District

64

The Company in the North
Caucasian Federal District

68

The Company in the Volga
Federal District

72

The Company in the Urals
Federal District

76

The Company in the Siberian
Federal District

82

The Company in the Far Eastern
Federal District

Dialog with the community



▲ Oilmen of Vankor

The year 2011 saw a positive macroeconomic situation with regard to energy resource exports: the annual average price increased by 40%, approaching the pre-crisis level. The Company's financial performance in 2010 and 2011 (see Annual Report 2011) and its focus on long-term growth and development determined OJSC Rosneft Oil Company's attention to ensuring competitive salaries in Russian regions (see page 40), implementing socially significant projects (see page 44), as well as developing and introducing innovative technologies and methods of the extraction and processing of hydrocarbon resources (see page 20).

Numerous objectives were set for the Russian oil industry and Rosneft Oil Company, its flagship company. The final expert report on significant aspects of Russia's socio-economic development strategy for the period until 2020 (the Strategy 2020) defines key objectives for the Russian oil and gas industry as «increasing the output and productivity, while improving environmental performance, reducing energy intensity, and expanding the processing of extracted resources». Rosneft Oil Company realizes the importance of the industry's objectives and its own role

in addressing them. At present, the Company implements a number of major investment projects, which are of strategic importance to both Russia as a whole and the regions where they are implemented. These projects help create additional jobs, increase tax and other revenues of regional budgets, introduce state-of-the-art technologies, and tackle environmental pollution.

Operating in all eight federal districts of the Russian Federation, the Company and its subsidiaries contribute, wherever possible, to the regional socio-economic development and maintain a dialogue with stakeholder in order to take their views into account in planning the Company's actions.

In 2011, the Company carried out another annual series of roundtable meetings with stakeholders in its regions of operation, engaging in active discussions on a broad range of sustainability issues (see page 16 and Annex 3). Based on the analysis of meeting results and socio-economic development strategies of federal districts through 2020–2025, Rosneft Oil Company identified a number of sustainability challenges relevant to both federal districts and the Company itself. The



▲ 68 Rosneft Classes were established in the regions of Company's operation

▼ Rosneft Oil Company conducts dialog with stakeholders in the regions of its operation. On the photo: roundtable meeting at Tuapse

results of the analysis for each federal district are presented in this section of the Report in the form of lists of sustainability challenges relevant to OJSC Rosneft Oil Company. In 2011, the Company made serious efforts to address some of those challenges. In 2012–2013, Rosneft Oil Company will continue implementing socio-economic and environmental programs to address sustainability challenges relevant to Russian regions.

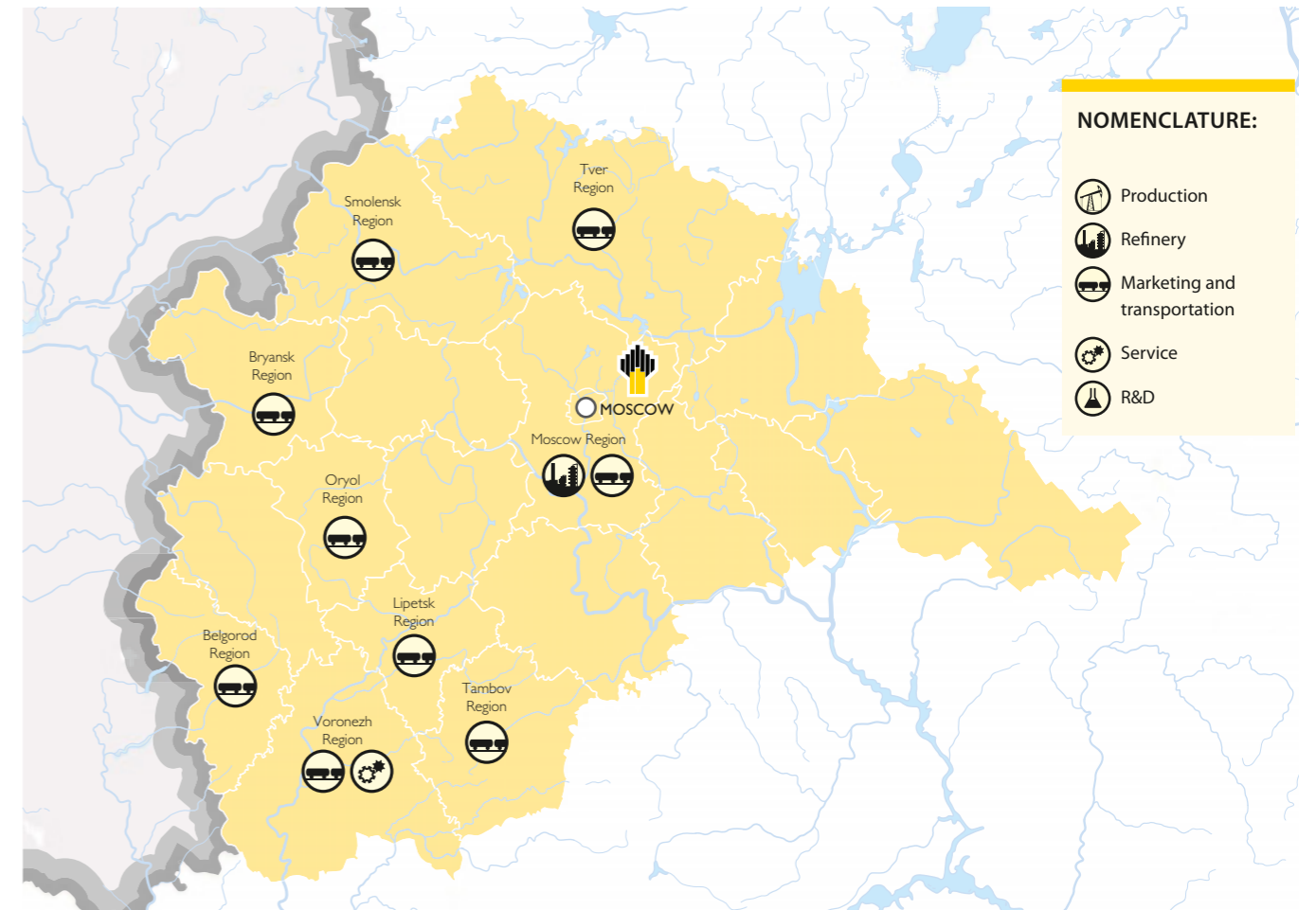
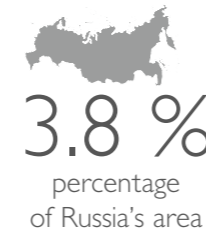
This section also presents examples of initiatives and projects implemented by Rosneft Oil Company and its subsidiaries in each of the federal districts in 2011; this illustrates the Company's approaches with regard to some of the sustainability challenges identified.



The Company in the Central Federal District



THE CENTRAL FEDERAL DISTRICT COMPRISES:



▼ Filling stations of the Company comply all environmental standards. On the photo: filling station of CJSC Orelnefteproduct

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

7,636	Capital investment by the Company and its subsidiaries in 2011, RUB million
2,360,371 ¹³	Total capital investment in the CFD in 2011, RUB million
17,192	Average number of employees of the Company and its subsidiaries in the CFD in 2011
20,300,000	Total workforce in the CFD in 2011
76,532	Average nominal monthly salary paid by the Company and its subsidiaries in the CFD in 2011, RUB
28,779	Average nominal monthly salary in the CFD in 2011, RUB

Sustainability challenges in the Central Federal District, significant to the Company:

- preservation of the scientific and engineering potential and replenishing the deficit of highly-skilled workforce;
- modernization of technologies and equipment on the basis of innovation, and improvement of resource efficiency;
- development of small and medium businesses in the Central Federal District;
- improvement of the transport infrastructure;
- creation of infrastructure facilities, which will make life in the CFD more comfortable, and improve infrastructure accessibility for persons with limited mobility;
- prevention of technogenic disasters and environmental degradation, care for natural landscapes and biodiversity conservation.

¹³ The source of statistical data about Russian regions provided here and below is the official website of the Federal Service for State Statistics: www.gks.ru





▲ «Day of Rosneft» at Siberian Federal University



▲ Mobile laboratory for the quality control of petroleum products at Smolensknefteprodukt

PARTNERSHIP WITH UNIVERSITIES WITHIN THE FRAMEWORK OF OJSC ROSNEFT OIL COMPANY'S INNOVATION DEVELOPMENT PROGRAM

To support the implementation of the Innovation Development Program, approved by OJSC Rosneft Oil Company's Board of Directors on April 1, 2011, the Company has paid particular attention to the development of systematic cooperation with the key partner universities, leaders of higher education in Russia – Gubkin Russian State University of Oil and Gas, Siberian Federal University, Lomonosov Moscow State University, and Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs.

The key results of these activities in 2011 include the following:

At the **Gubkin University of Oil and Gas**, the creation of the Rosneft Innovation Center was started. The center will ensure the coordination and interdisciplinary integration of innovation, educational, and research activities aimed at addressing current and

strategic objectives of the oil and gas industry for the benefit of the Company. The decision to establish the Innovation Center was made by the University's Academic Council on November 1, 2011.

The Company signed a cooperation agreement with the **Lomonosov Moscow State University**, which provides, among other activities, for the development and launch of the following innovative training programs:

- Information Technology in the Oil and Gas Sector;
- Sedimentology of Oil and Gas Basins;
- Management of Offshore Projects.

At the **International Institute of Energy Policy and Diplomacy of the Moscow State Institute of International Relations**, Rosneft supports the Department of Global Energy Policy and Energy Security. The department delivers a master's program in economics titled «Economic Strategies of International Oil and Gas Companies» with an annual enrolment of ten stu-

dents. Of ten masters who graduated in 2011, five were recruited by the respective department of the Company's headquarters.

Objectives for 2012:

- Complete organizational arrangements for the establishment of Rosneft Innovation Centers at the Gubkin Russian State University of Oil and Gas and the Siberian Federal University.
- Prepare the programs «Sedimentology of Oil» and «Gas Basins and Management of Offshore Projects» at the Lomonosov Moscow State University for the launch in 2012.
- Continue support of the Department of Global Energy Policy and Energy Security, the Company's partner department at the International Institute of Energy Policy and Diplomacy of the Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs.

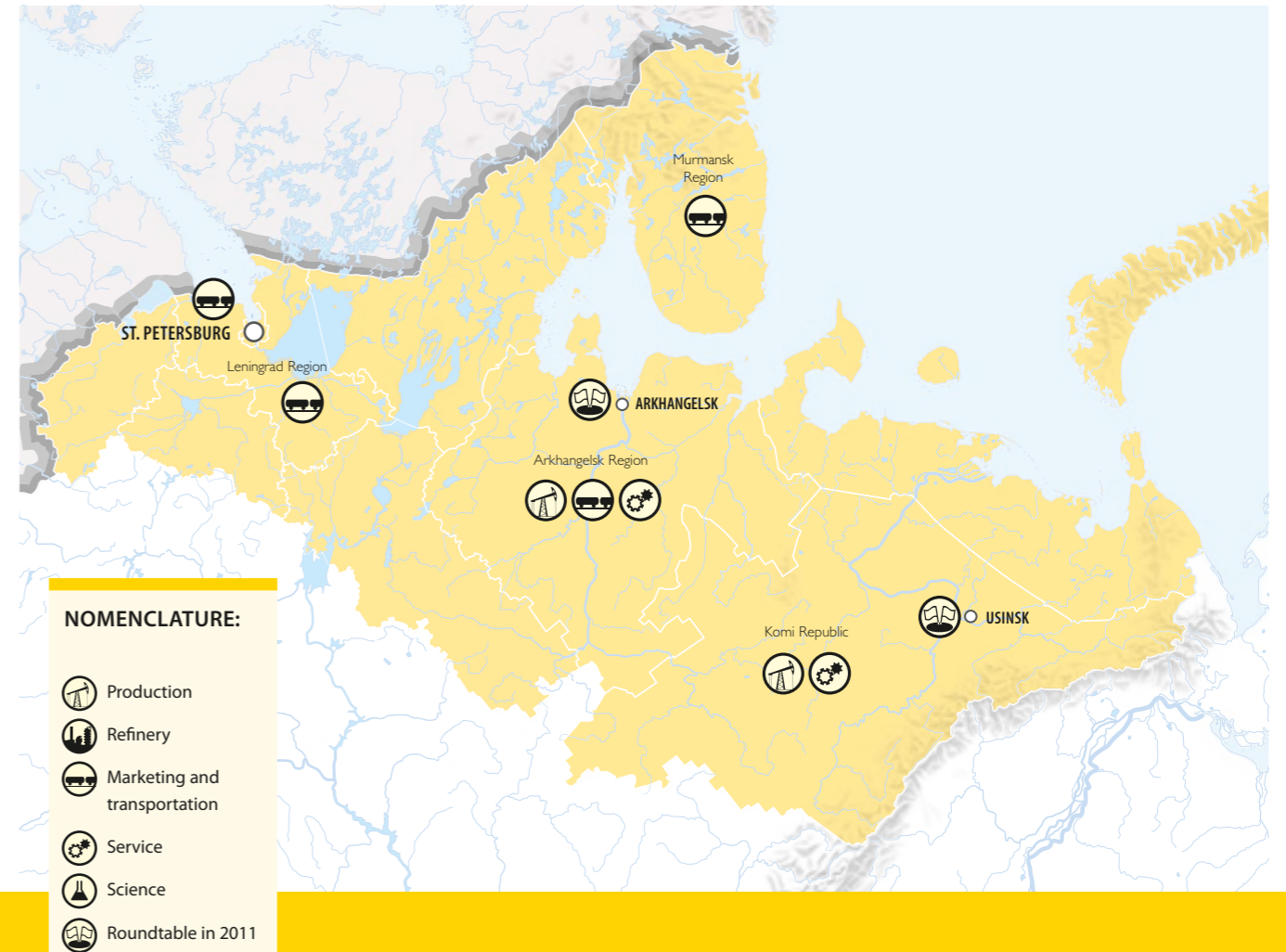
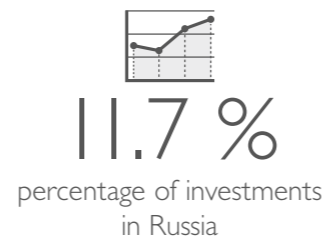
MOBILE LABORATORY FOR THE QUALITY CONTROL OF PETROLEUM PRODUCTS AT OJSC ROSNEFT OIL COMPANY- SMOLENSKNEFTEPRODUKT

In 2011, OJSC Rosneft Oil Company-Smolensknefteprodukt started using a mobile laboratory for the quality control of petroleum products. This was done within the framework of the targeted program for the improvement of the quality control of petroleum products at the sales companies participating in the Sochi 2014 Olympic Program, approved by the President of the Company. The company spent over RUB 18 million on the laboratory equipped with unique analytical instruments. The use of the laboratory will help improve the quality control of petroleum products sold to retail customers, thus enhancing their satisfaction. The laboratory is particularly important in the context of the expansion of Smolensknefteprodukt's network of filling stations.

The Company in the Northwestern Federal District



THE NORTHWESTERN FEDERAL DISTRICT COMPRISES:



GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

7,217	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,259,724	Total capital investment in the NWFD in 2011, RUB million
6,546	Average number of employees of the Company and its subsidiaries in the NWFD in 2011
7,600,000	Total workforce in the NWFD in 2011
51,850	Average nominal monthly salary paid by the Company and its subsidiaries in the NWFD in 2011, RUB
26,210	Average nominal monthly salary in the NWFD in 2011, RUB

Sustainability challenges in the Northwestern Federal District, significant to the Company:

- development of offshore resources and economic activities in the Russian Arctic on the basis of innovative technologies with social and environmental considerations taken into account;
- ensuring predictable demand for products of the oil and gas industry and predictable prices in the context of the stabilization and potential decline of the demand for export products of the Northwestern Federal District;
- creation of routes to supply products to new markets, including the development of the Northern Sea Route;
- elimination of the deficit of petroleum products in the NWFD;
- modernization of the industrial base using innovative science and technology, reduction of energy and material intensity of the economy;

- modernization of the transport infrastructure, including the implementation of such strategic projects as the Integrated Development of the Murmansk Transport Hub;
- social and professional guidance and value orientation of the young generation and training and re-training of specialists for working in the Arctic;
- creation of attractive jobs, particularly for mass trades, in the light of the threat of a further population decline and in order to facilitate population influx to the NWFD, which have had a faster population decline than other Russian regions since 1990;
- study and preservation of the culture of the Russian North, including cultures of minority indigenous peoples, and the strengthening of the cultural and historical potential of regions of the NWFD;



- improvement of the accessibility of social and transport infrastructure in the areas where such accessibility is currently limited;
- providing residents of the NWFD with safe drinking water;
- ensuring energy security through the use of local resources, with particular emphasis on secure supply of fuel oil to the housing sector and reducing the transportation component of fuel prices;
- rational use of natural resources in areas of the Extreme North with their fragile ecosystems;
- strengthened environmental protection in the context of expanded oil production in Nenets Autonomous Area and off-shore, and increased transportation of energy resources in the Arctic seas, including waste reduction, recycling and re-use, reduction of greenhouse gas and pollutant emission into air, reduction of wastewater discharges into surface water bodies, remediation of areas with disturbed ecosystems, and compensation for environmental damage;
- flood control measures in the context of climatic changes over the last 20–30 years, leading to an increased frequency of dangerous floods at the rivers of the NWFD;
- conservation, protection, and reproduction of biodiversity in the context of the expansion of the Company's operations and global climate change, and protection of the unique network of water bodies (seas, rivers, lakes, wetlands, reservoirs, lake/wetland and lake/river systems).



▲ Cultivation of valuable species of fish fingerlings

ARCTIC RESEARCH AND DESIGN CENTER FOR OFFSHORE DEVELOPMENT IN ST. PETERSBURG

Top management of OJSC Rosneft Oil Company took part in the Second International Forum «The Arctic: Territory of Dialogue» held in Archangelsk.

Over 220 experts on the Arctic from 20 countries – leading scientists, representatives of various industrial and transport sectors, entrepreneurs, and representatives of minority indigenous peoples of the North – gathered to discuss approaches to the building of a regional transport system and environmentally safe integrated development of the region. The forum participants included, among others, Vladimir Putin, Prime Minister of the Russian Federation, Sergey Shoigu, Russian Minister of Emergency Situations, President of the Russian Geographical Society and leaders of foreign countries.

During a video conference, Vladimir Putin emphasized the importance of environmental components of offshore projects and reminded that Rosneft and ExxonMobil had recently created the Arctic Research and De-

sign Center for Offshore Development in St. Petersburg. The Center created within the framework of Rosneft's Innovation Development Program, became the first intellectual center in Russia, capable of carrying out the full cycle of research, development and design works required for the Company's offshore projects.

In the future, it is planned to expand the center through broader involvement of the Company's and ExxonMobil's specialists into its activities. It is expected that the center will use existing technologies of the two companies and develop new technologies to support the implementation of joint projects in the Arctic and other Rosneft's projects.

Given the complicated geological and technology conditions of offshore development, particularly in the Arctic, the main objective of the Center will be systematic research, development, and design support (in particular, by developing new technologies) of all stages of Arctic offshore projects, including exploration, design, development of oil and gas fields, construction of production and auxiliary facilities, oil and gas production, transportation of hydrocarbons, and logistics.

One important area of the Center's activities is improving the environmental safety of Arctic projects, in particular, by providing technical support to environmental monitoring programs. Furthermore, the Center will be responsible for a broad range of activities related to the safety of offshore operations – one of its units will be the Offshore Accident Prevention and Response Service. The Center will be based in St. Petersburg.

RESTORING BIODIVERSITY IN THE NORTHERN RIVERS

In 2011, 46 thousand specially reared yearlings of sea trout, a close relative of Atlantic salmon, were released into the Solza River near the town of Severodvinsk. It was OJSC Rosneft Oil Company-Archangelsknefteprodukt that pioneered the process, continuing the corporate tradition of environmental activities.

Since 2007, Rosneft-Archangelsknefteprodukt has carried out dredging works in the Northern Dvina River on a regular basis in order to make the river channel navigable for large tankers. According to environ-

mental experts, any activities in the river channel may potentially affect the food base of the fish population, leading to its decline. To offset those effects, the company has implemented fish restoration activities on an annual basis, contracting fish hatcheries to rear fry and release them into rivers of the region.

Changes made to the Russian legislation in 2010 allowed companies to distribute compensation funds, intended to finance biodiversity restoration, on their own discretion. PJSC Rosneft Oil Company-Archangelsknefteprodukt was the first company in the region to directly finance the restoration of the fish stock with its compensation funds. In 2010, the company financed the release of over one million of pike fry in the Northern Dvina River – the first such project in the last 25 years.

In 2011, experts of the Northern Fishery Authority jointly with fish hatcheries, environmental experts, and activists decided that such valuable fish species as sterlet, Atlantic salmon, brown trout, and sea trout also require restoration. Following those recommendations, Archangelsknefteprodukt transferred compensation funds to the Solza Experimental Fish Hatchery

The Company in the Southern Federal District



THE SOUTHERN FEDERAL DISTRICT COMPRISES:



2.4 %

percentage of Russia's area



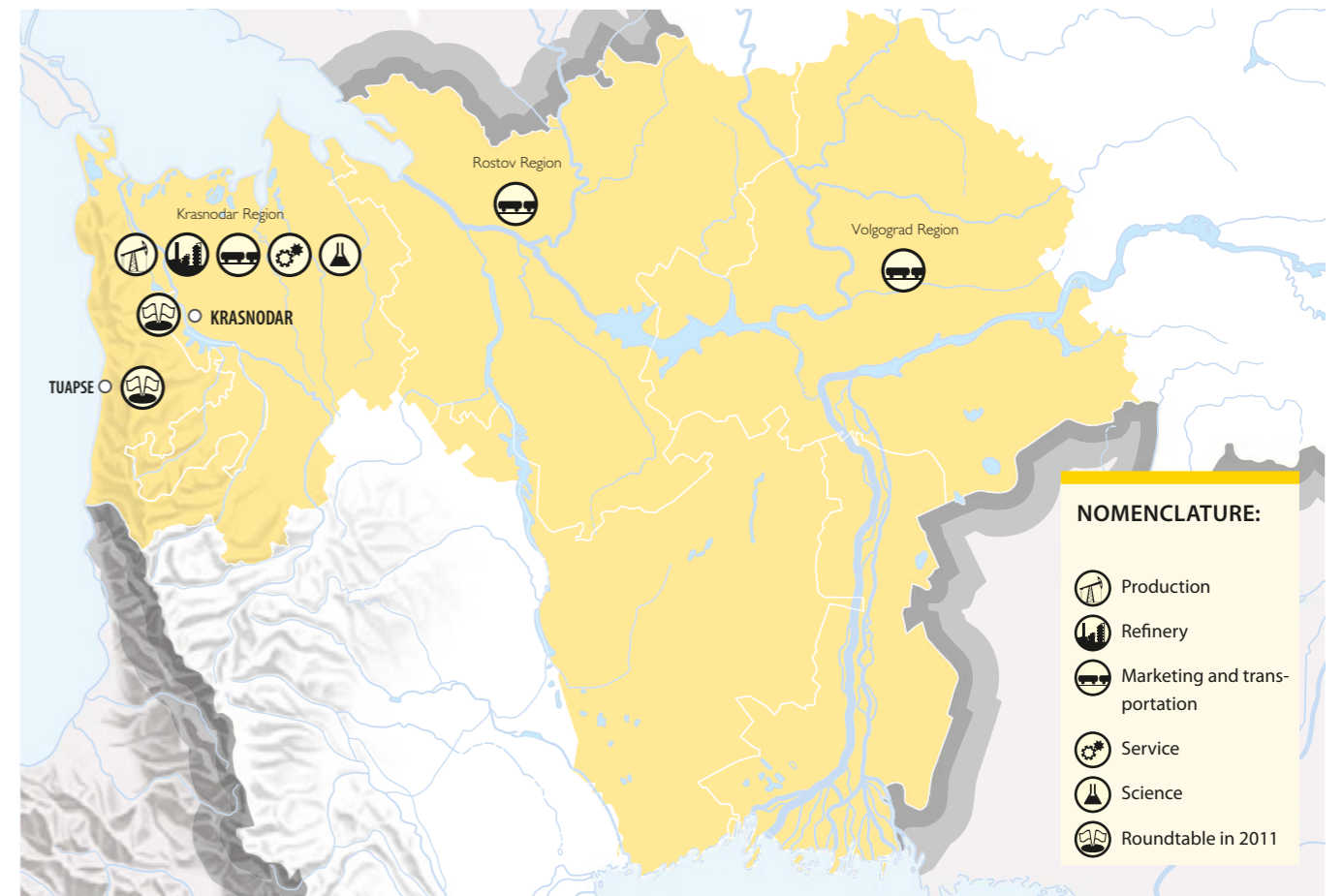
9.7 %

percentage of Russia's population



9.5 %

percentage of investments in Russia



NOMENCLATURE:

- Production
- Refinery
- Marketing and transportation
- Service
- Science
- Roundtable in 2011

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

59,886	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,026,624	Total capital investment in the SFD in 2011, RUB million
12,162	Average number of employees of the Company and its subsidiaries in the SFD in 2011
7,000,000	Total workforce in the SFD in 2011
25,950	Average nominal monthly salary paid by the Company and its subsidiaries in the SFD in 2011, RUB
17,408	Average nominal monthly salary in the SFD in 2011, RUB

Sustainability challenges in the Southern Federal District, significant to the Company:

- creation of new jobs, improvement of labor productivity, and the strengthening of innovation activities;
- development of competencies and skills of the SFD's workforce;
- development of the engineering and energy infrastructure of the district;
- prevention of terrorist threats and conflicts associated with the district's proximity to regions facing social or economic instability;
- preparation for the XXII Winter Olympics and the XI Winter Paralympics, which will be held in Sochi in 2014;
- development of agriculture as a key economic sector of the SFD;
- resource efficiency and environmental protection, including protecting the Black Sea

from pollution and mitigating impacts of water scarcity and potential climatic changes on the economy and social situation in the district.





▲ Rosneft Oil Company has helped to carry out works to protect the flood plain of the Tuapse river

▼ LLC RN-Krasnodarneftegaz. Elimination of local oil waste sites

ENVIRONMENTAL ACTIVITIES OF THE COMPANY'S SUBSIDIARIES IN THE SOUTHERN FEDERAL DISTRICT

LLC RN-Krasnodarneftegaz embarked on a project to eliminate past environmental damage – sludge pits and oilfield water settling ponds created before 1991. A total of 30.6 thousand tonnes of oil-containing waste were removed from the sites and properly decontaminated, and 2.7 ha of disturbed land were remediated. Furthermore, 334 wells were eliminat-

ed with subsequent remediation of 120 ha of disturbed land.

At the LLC Tuapse Refinery, survey, design, and construction works for new wastewater treatment facilities, water recycling units, and a drainage system with scouring protection were carried out.

LLC RN-Tuapsenefteprodukt completed the construction of bank protection structures preventing petroleum products from entering the Tuapse River



▲ The Tuapse Refinery

MODERNIZATION OF THE TUAPSE REFINERY

In 2011 Rosneft Oil Company continued its major program for the modernization of existing refining capacities and construction of new primary and secondary refining units. One important component of this program is the construction of a new refining plant with a capacity of 12 mtpa at the LLC Rosneft-Tuapse Refinery. In 2011, the Company continued the construction of facilities of the first stage of the project, while developing design documentation and placing equipment orders for the second and the third stages.

The Company also actively implemented a number of associated projects, including the expansion of a trunk oil pipeline in order to provide the new facilities with the necessary amount of crude oil, and the expansion of the Tuapse Sea Terminal used for exporting petroleum products from the refinery.

In 2011, overall capital investment into the modernization of the Tuapse Refinery amounted to RUB 47.9

billion. In 2012, it is planned to invest another RUB 48.9 billion into the project.

The Company delivered over 300 man-courses to get refinery employees prepared for the commissioning of new facilities. The training objective was to improve employee skills and enable them to operate state-of-the-art equipment.

The refinery modernization will also help reduce environmental footprint per unit of output

The Company in the North Caucasian Federal District



THE NORTH CAUCASIAN FEDERAL DISTRICT COMPRISES:



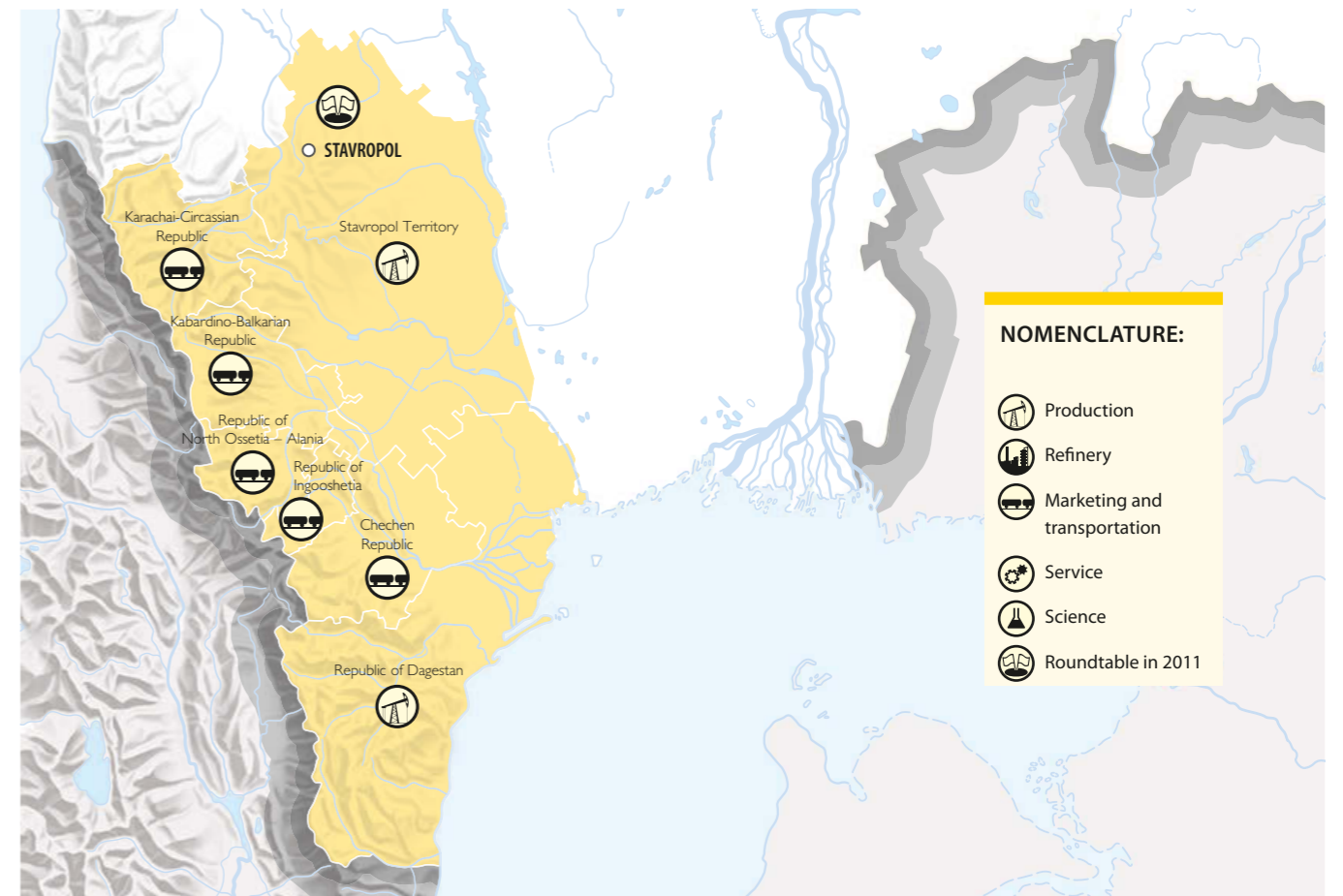
1.0 %
percentage of Russia's area



6.6 %
percentage of Russia's population



3.2 %
percentage of investments in Russia



▼ Modern filling station opening in the Republic of Ingushetia (October 2011)

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

3,601	Capital investment by the Company and its subsidiaries in 2011, RUB million
346,264	Total capital investment in the NCFD in 2011, RUB million
11,392	Average number of employees of the Company and its subsidiaries in the NCFD in 2011
4,400,000	Total workforce in the NCFD in 2011
16,389.	Average nominal monthly salary paid by the Company and its subsidiaries in the NCFD in 2011, RUB
14,324.	Average nominal monthly salary in the NCFD in 2011, RUB

Sustainability challenges in the North Caucasian Federal District, significant to the Company:

- job creation;
- addressing the entire range of socio-economic issues faced by the NCFD (particularly in the field of education and health care);
- prevention of terrorist attacks;
- implementation of flood and avalanche control measures;
- protection of the unique recreation, natural, and climatic potential of the Caucasus;
- prevention of further pollution in the areas of oil production, storage, and transportation, providing oil production companies with systems for cleaning, oil sludge processing, and preventing oil spills.





the Stavropol Territory. According to the Company's agreement with the regional government, in 2012 Rosneft will build four new stations in the eastern part of the region.

At present, OJSC Rosneft Oil Company-Stavropolye implements a program for the modernization and re-tooling of its facilities. In 2011, the program encompassed 34 filling stations and included, among other activities, complete modernization of three stations, installation of equipment for selling liquefied hydrocarbon gas (LHCG) at five stations, and modernization of the third stage of the Vyazniki Khutor oil and gas storage to expand its capacity by 3000 cubic meters. Furthermore, a program for retooling and bringing the visual style in compliance with the corporate standards was implemented at 12 stations. In 2012, the company will continue the program, which will encompass 48 filling stations.

In 2011, as many as 70 Rosneft filling stations offered compressed gas in addition to liquid fuel.

OJSC Rosneft Oil Company-Stavropolye, the largest supplier of fuel for the agriculture, for the third consecutive year has been providing fuel to agricultural enterprises on special terms. In March – November 2011, OJSC Rosneft Oil Company-Stavropolye supplied 137 thousand tonnes of diesel fuel for agricultural activities at a preferential price in accordance with the approved quota. Responding to requests of the regional government, the company expanded the quota, providing additional 3.5 thousand tonnes of diesel fuel in August 2011 and another 8 thousand tonnes in October and November.

The expansion of the Company's business in the region helps create new jobs. For example, the seven planned gas station will provide jobs for over 80 residents of the region. All new employees of filling stations – from attendants to managers – receive initial training at a corporate training center, operated by Rosneft-Stavropolye since 2008. In 2011, the company opened new premises for the center. Now it is able to receive up to 200 trainees at once.

DEVELOPMENT OF OJSC ROSNEFT OIL COMPANY'S ACTIVITIES IN STAVROPOL TERRITORY

OJSC Rosneft Oil Company's operations are active in Stavropol Territory. There are 10 Company subsidiaries operating in the region, the largest of them being RN-Stavropolneftegaz and Rosneft-Stavropolye. In July 2011, OJSC Rosneft Oil Company and the government of Stavropol Territory signed a cooperation agreement encompassing a broad range of issues in the field of oil and gas production, fuel supply, development of the region's social infrastructure, and environmental protection. The Company's plans for the nearest future include the expansion of its regional network of filling stations operated by OJSC Rosneft Oil Company-Stavropolye – the construction of seven new stations including three multipurpose filling and service complexes, which will be located on federal highways.

The Company also expands its network of filling stations in the east of the region. At present, Rosneft's filling stations are present in virtually every district of



▲ Pupils of Rosneft Classes at Malgobek city

THE «SCHOOL – UNIVERSITY – COMPANY» CONTINUOUS EDUCATION SYSTEM IN THE NORTH CAUCASIAN FEDERAL DISTRICT

In 2011, «Rosneft Classes» were for the first time opened in the North Caucasian Federal District – in the cities of Malgobek and Karabulak (the Republic of Ingushetia), and Grozny (the Chechen Republic). In the Chechen Republic, the first Rosneft Class was created at the President's Lyceum educational institution and received first students in September 2011. For two years the students will receive high-quality professional education based on in-depth study of the respective subjects. All conditions for effective learning are in place – the classroom has modern equipment, specialized courses are delivered by teachers from the Millionshchikov Grozny State Oil University. The students of the «Rosneft Class» took part in the Ladder to Success annual training, which was conducted for the fourth time with the support from RN-Tuapsenfteprodukt and RN-Tuapse Refinery. The training, which was delivered by a team of professional teachers and psychologists, involved

game-based activities, creative assignments, and competitions. The participants learned how to write a CV and position oneself as a decent candidate at a job interview, mastered communication and self-presentation skills. They also learned to work together as a team, achieving goals through joint efforts.

The Company in the Volga Federal District



THE VOLGA FEDERAL DISTRICT COMPRISES:



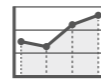
6.1 %

percentage of Russia's area



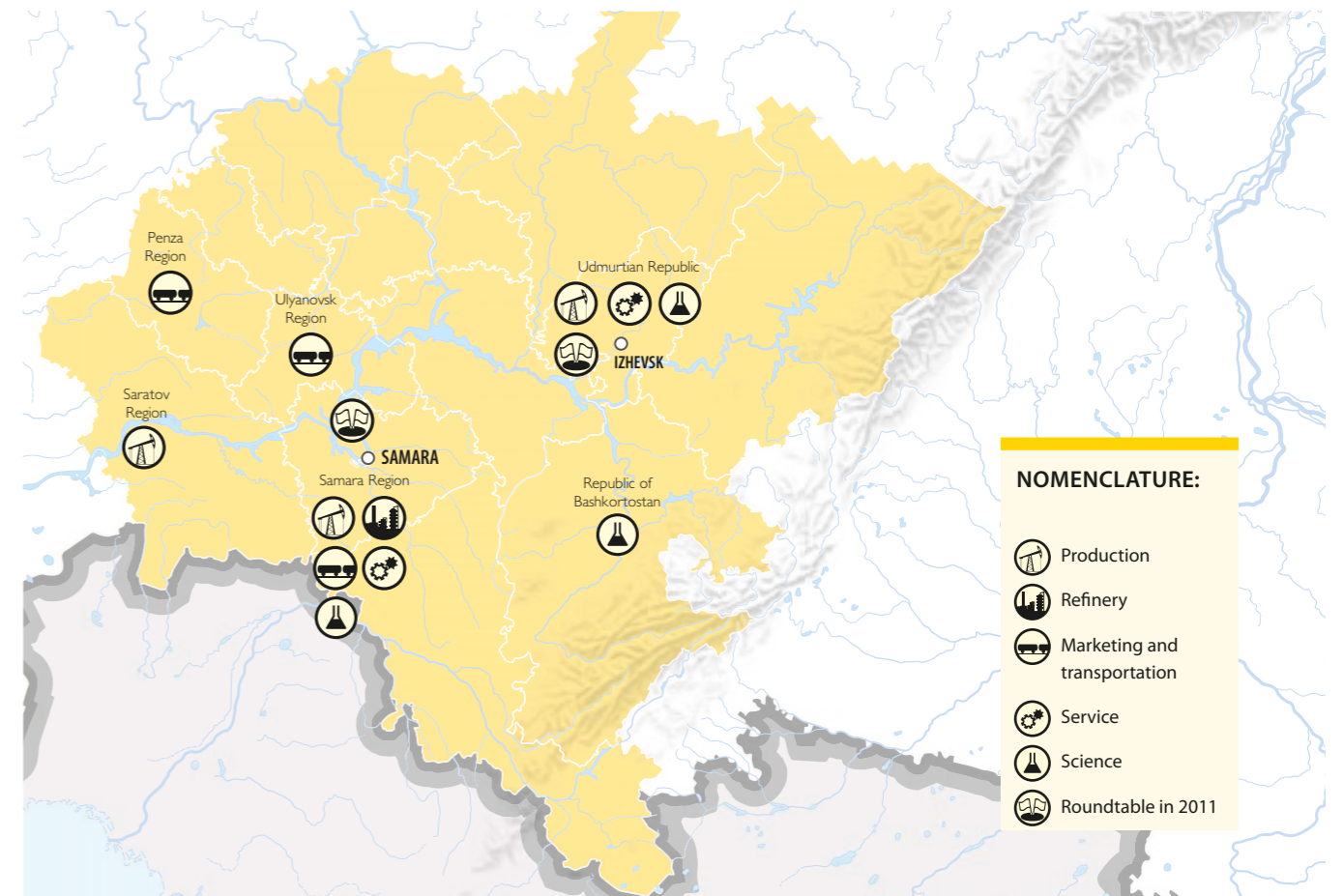
20.8 %

percentage of Russia's population



15.6 %

percentage of investments in Russia



NOMENCLATURE:

- Production
- Refinery
- Marketing and transportation
- Service
- Science
- Roundtable in 2011

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

38,515	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,685,380	Total capital investment in the VFD in 2011, RUB million
40,851	Average number of employees of the Company and its subsidiaries in the VFD in 2011
16,100,000	Total workforce in the VFD in 2011
31,185	Average nominal monthly salary paid by the Company and its subsidiaries in the VFD in 2011, RUB
17,671	Average nominal monthly salary in the VFD in 2011, RUB

Sustainability challenges in the Volga Federal District, significant to the Company:

- improvement of labor productivity, technology modernization, ensuring deeper and more comprehensive processing of hydrocarbon resources;
- development of the scientific and technology base of the VFD;
- creation of equal opportunities in terms of employment, development, and realization of potential for residents of different areas and representatives of different ethnic groups, development of intercultural dialogue;
- overcoming the problem of ageing workforce and development of necessary skills in young people;
- improvement of the accessibility of high-quality healthcare services;
- more efficient use of associated petroleum gas at oil fields;

- protection of basins of the rivers Volga, Kama, and Ural through the prevention of discharge of insufficiently treated wastewater and the development of closed-circuit water recycling systems.



OJSC SAMARANEFTEGAZ: EMPLOYEE HEALTH AND SUPPORT OF HEALTHCARE SERVICES IN THE REGION

Protection of employee health is a priority area of social activities of Samaraneftgaz, which actively promotes voluntary medical insurance (VMI) programs among its employees. In 2011, Samaraneftgaz spent over RUB 24 million on subsidizing VMI policies, ensuring the universal participation of its staff in the program. The estimated cost of VMI per employee is about RUB 6000. The VMI program covers not only standard outpatient and inpatient services, but also surgical treatment at high-tech hospitals and convalescent care at a health resort. The corporate VMI program also covers participants of the Great Patriotic War and other veterans having an equivalent status.

In 2011, Samaraneftgaz spent over RUB 33 million on subsidizing vacations and health resort treatment for its employees. This allowed 1,720 families to spend their vacations not only at health resorts in Samara Region, but also on the Russian Black Sea coast. Compared to 2010, this indicator increased almost by 50%.

In addition to protecting the health of its own employees, in 2011, OJSC Samaraneftgaz supported public healthcare services in accordance with the program of socio-economic cooperation with the regional government. In particular, the company continued financing the renovation and equipping of healthcare facilities (central district hospitals, as well as medical assistance and obstetrics stations in rural areas). Furthermore, the company donated 15 specialized 18-passenger Peugeot vans to healthcare institutions of Samara Region, having spent over RUB 19 million on this program. The vans will be used to bring patients from remote rural areas of Samara Region to central district hospitals and regional healthcare institutions. The vans will also be used by mobile crews of medical specialists providing healthcare services in remote villages.

«Thanks to Rosneft, the government of Samara Region is now implementing the first stage of the Social Van project, which then will be expanded to encompass most municipalities of the region. Using the donated vans, we plan to make high-quality specialist healthcare services accessible to residents of remote rural communities within the framework of the regional program for the modernization of healthcare sector,» said Gennady Gridasov, the Minister of Health and Social Development of Samara Region.

▼ Mobile mini-hospital at Kinel-Cherkassky region – a present from Rosneft Oil Company



▲ Bensol separation section of catalytic reforming plant was put into operation at the Kuibyshev Refinery

The vans donated by Rosneft are used in Yelkhovsky, Neftegorsky, Bolshechernigovsky, Kinel'sky, Sergiyevsky, Pestravsky, Krasnoyarsky, Volzhsky, Isaklinsky, Bezenchuksky, Koshkinsky, Pokhivistnevsky, and Kinel-Cherkassky municipal districts, the city of Zhigulovsk, and also by the Samara Regional Hospital.

ry Reduction of Workplace Injury and Occupational Disease Rate in the Industrial Sector and to win the regional competition Best Industrial Organization in Samara Region in terms of Occupational Health and Safety. No occupational injury took place at the Kuibyshev Refinery in 2011.

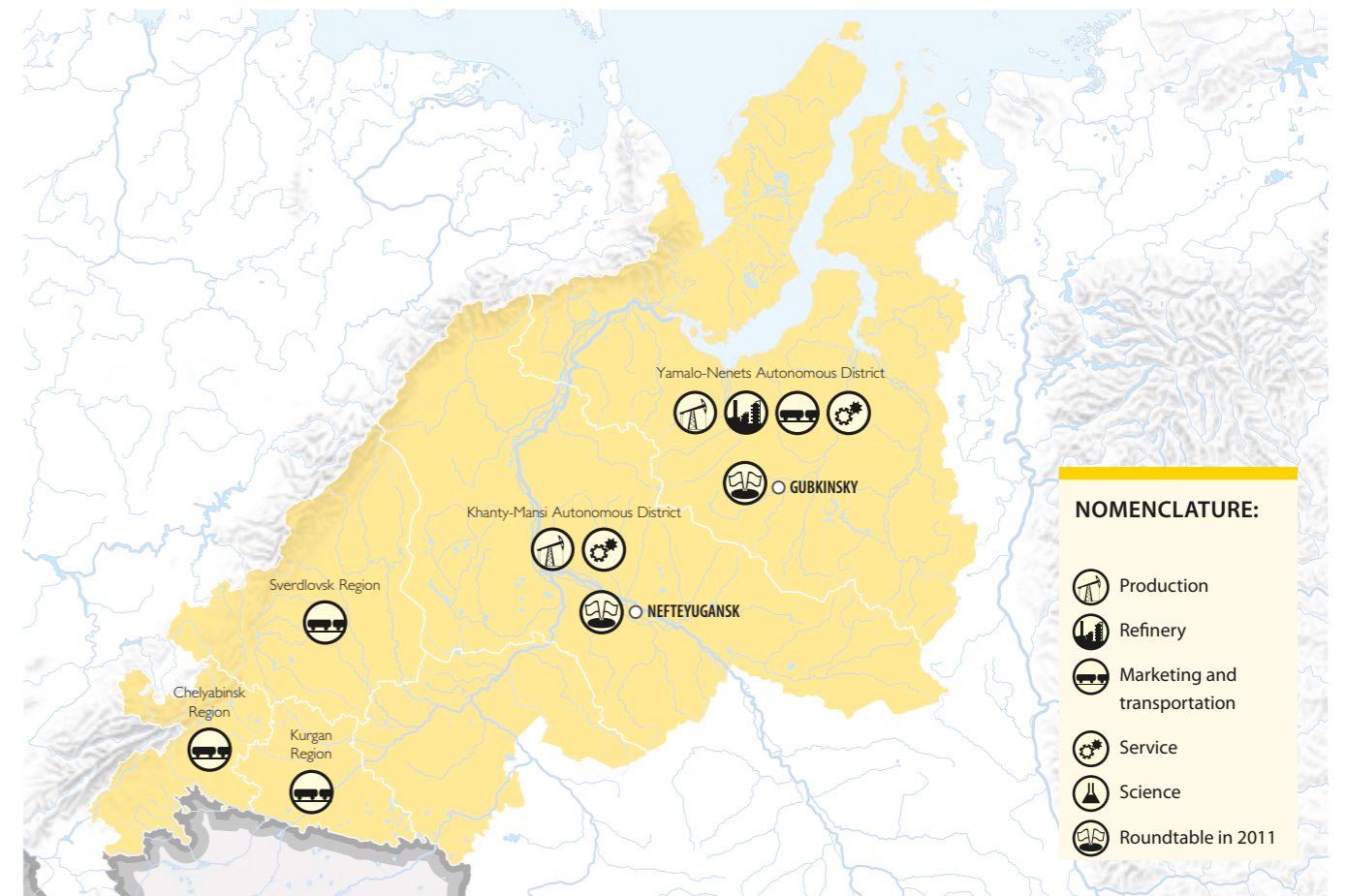
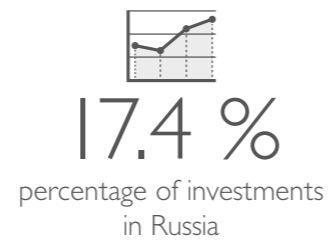
MODERNIZATION OF THE OJSC KUIBYSHEV REFINERY

At present, a major modernization of the Kuibyshev Refinery is carried out in order to make the plant capable of manufacturing gasoline compliant with the Euro-4 and Euro-5 standards. A number of projects have already been completed within the framework of the comprehensive modernization program, including the renovation of a visbreaker unit, as well as the construction of a storage of liquefied hydrocarbon gases and storage facilities of the catalytic cracking complex. It is important to note that in 2011, amidst such a large modernization, OJSC Kuibyshev Refinery was able to become the winner of the regional stage of the national competition Russian Organization of High Social Performance in the category

The Company in the Urals Federal District



THE URALS FEDERAL DISTRICT COMPRISES:



▼ OJSC NK - Kurganefteproduct. Feeding station

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

128,085	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,869,904	Total capital investment in the UFD in 2011, RUB million
29,674	Average number of employees of the Company and its subsidiaries in the UFD in 2011
6,700,000	Total workforce in the UFD in 2011
52,354	Average nominal monthly salary paid by the Company and its subsidiaries in the UFD in 2011, RUB
28,478	Average nominal monthly salary in the UFD in 2011, RUB

Sustainability challenges in the Urals Federal District, significant to the Company:

- modernization of industrial operations and the strengthening of innovation activities;
- promotion of the development of the services sector, which remains underdeveloped in the UFD, especially in towns whose economies are dominated by a single major industry;
- development of response plans to address increasingly frequent natural disasters (floods, hurricanes, tornados, droughts etc.) posing a threat to the safety of people and the functioning of vital industrial, energy, transport, and social systems of the area;
- prevention of large-scale technogenic emergencies, caused by a high level of deterioration of equipment and infrastructure in the region, and by insufficient effectiveness of existing industrial and environmental safety services and systems;

- development of the transport, energy, and information infrastructure to support effective and efficient management of natural resources, coordinated and accelerated development of the entire area of the UFD, and the realization of the transit potential of the area, which would help create conditions for full-fledged interaction of economic regions of East and West Russia on a large scale;
- improvement of the quality of the environment through the elimination of past environmental damage and prevention of soil and surface and ground water pollution, among other measures;
- preservation and restoration of the traditional living environment of indigenous communities of the Extreme North, conservation of reindeer pastures.





▲ Khanty-Mansi Autonomous District

CONTRIBUTION OF RN-YUGANSKNEFTEGAZ TO THE IMPROVEMENT OF THE ENVIRONMENTAL SAFETY OF THE REGION

In early March 2011, LLC RN-Yuganskneftegaz hosted a meeting of the Council of Heads of Municipal Governments of Khanty-Mansi Autonomous Area – Yugra with the participation of Nikolay Vinnichenko, the Plenipotentiary Presidential Envoy to the UFD, and Natalya Komarova, the Governor of the region. The main agenda item was the development of a concept of environmental safety for the region.

Yurga was among the first Russian regions to carry out, at the request of the Russian President, a comprehensive analysis of the state of the regional environment and to prepare the respective report. «Overall, the environmental situation in the Autonomous Area continues to improve, although some problems remain,» said Nikolay Vinnichenko. «In the past year, the emissions into air decreased by 9% – a significant achievement. In 2010, more contaminat-

ed land was reclaimed than in the previous year; major companies started to address this objective more seriously».

According to meeting participants, LLC RN-Yuganskneftegaz was one of the leaders in terms of environmental activities. The company plans to eliminate oil sludge pits within Yugra by 2015; the lands contaminated as a result of oil spills will be remediated. Significant funds were spent on the acquisition and installation of units for the processing of oil and drilling sludge. The materials produced in the process will be used in construction. The construction of the facilities envisioned by the corporate Gas Program is close to completion. After the launch of the third stage of the gas turbine power plant and compressor stations at the Priobskoye field, the APG recovery rate will reach 95%, and gas flaring will be phased out almost entirely.

Additional environmental commitments taken by RN-Yuganskneftegaz include the expansion of land remediation activities, which is considered one of the most significant and the most complex objectives. The scale of remediation works has been growing from year to year: in 2009 the company reclaimed 94 ha of contaminated land, in 2010 – 460 ha, in 2011 – 714 ha.

«The oilmen were not afraid to ensure transparency of each stage of their projects, and they were right in doing so, as demonstrated by today's agenda. It is due to this approach that residents of our region will be able to evaluate the level of the company's environmental responsibility. It is not only the preparation of quality plans that matters, but also the systematic implementation of those plans and the involvement of regional authorities and non-governmental organizations into the evaluation of intermediary results,» said the Governor.



▲ Gas turbine plant at the Priobsk field

THE NEW TECHNOLOGY SYSTEM AT LLC RN-PURNEFTEGAZ

The activities of Rosneft's New Technology System (NTS) and its working group at LLC RN-Purneftegaz are based on collaboration between specialists in different areas. Scientific support of almost all tests of innovative solutions carried out at RN-Purneftegaz is provided by the Ufa Research and Design Institute of Oil.

«Our company can be called Rosneft's testing ground, since more innovative solutions are tested at Purneftegaz than at any other Rosneft subsidiary,» says Alexander Sakhan, Deputy Chief Engineer for New Technology. «Our employees realize the importance of this work and actively participate in it, so it would be incorrect to say that only the NTS Working Group deals with new technologies – everyone is contributing. One successful project was the testing of a new method for bottom-hole zone treatment. The bottom-hole assembly is equipped with a jet pump, which is used for phased treatment of the wellbore; this helps improve the timing and

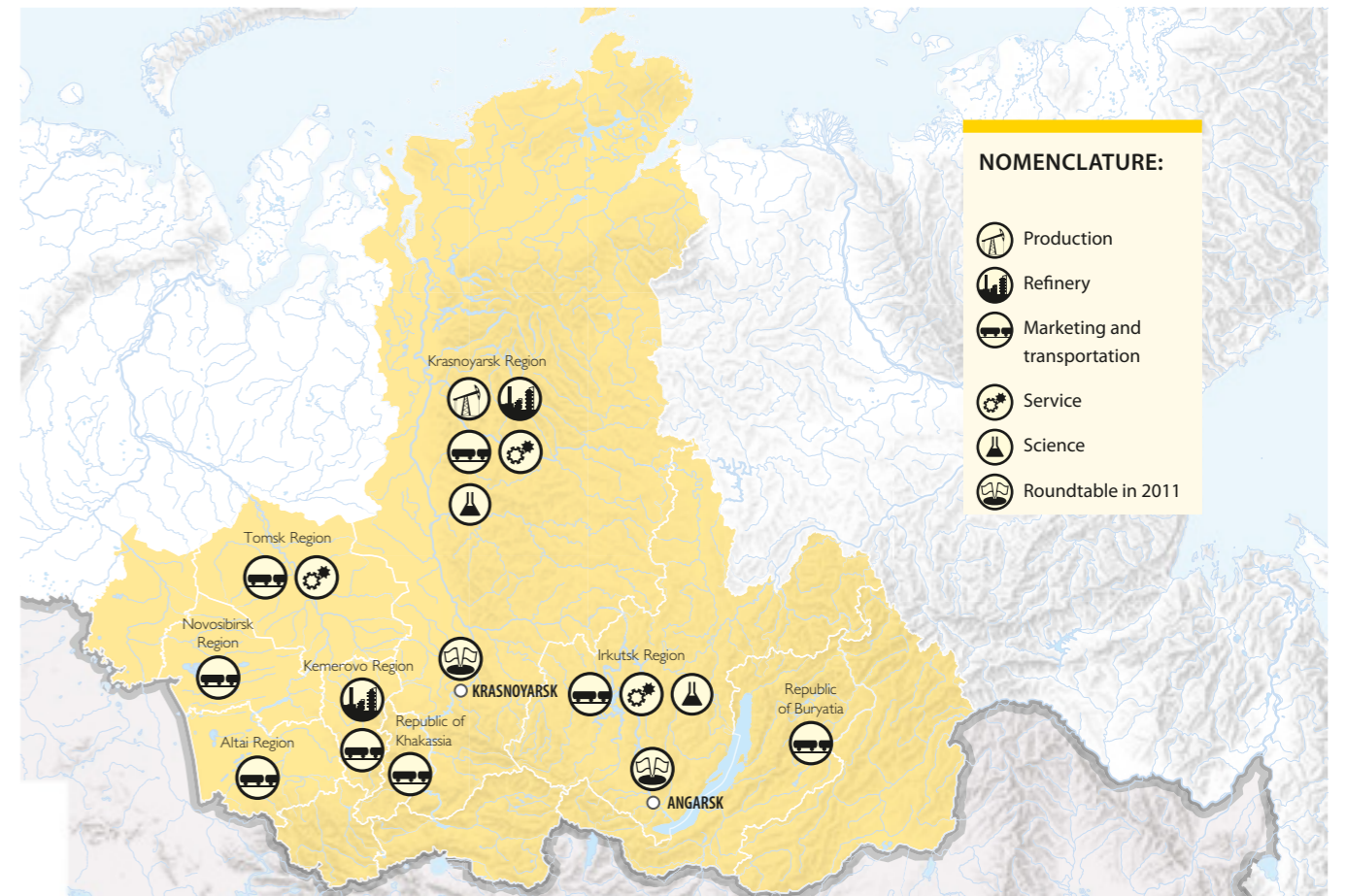
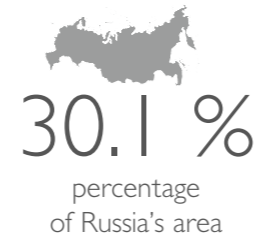
quality of well development. Squeeze cementing also remains a major area for innovation. Many innovative technologies in this area have already been tested and adopted, but the search for effective solutions still continues. One approach that has yielded excellent results is the use of tubing with a diameter of 120 mm when conducting squeeze cementing in complex geological conditions. This technique allows to remediate corroded casing sections up to 300 m long.»

In 2012, tests for three targeted innovation projects will be carried out at LLC RN-Purneftegaz: the development of the Turonian low-permeability gas reservoirs; new technologies for the production of viscous oil at the Severo-Komsomolskoye field; and well underreaming systems using fiberglass liners. It is important to note that these projects are aimed at the development of the Company's own technologies and solutions, and will help strengthen its competitive edge in the future.

The Company in the Siberian Federal District



THE SIBERIAN FEDERAL DISTRICT COMPRISES:



NOMENCLATURE:

- Production
- Refinery
- Marketing and transportation
- Service
- Science
- Roundtable in 2011

GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

127,859	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,214,700	Total capital investment in the SibFD in 2011, RUB million
32,734	Average number of employees of the Company and its subsidiaries in the SibFD in 2011
10,200,000	Total workforce in the SibFD in 2011
45,798	Average nominal monthly salary paid by the Company and its subsidiaries in the SibFD in 2011, RUB
20,970	Average nominal monthly salary in the SibFD in 2011, RUB

Sustainability challenges in the Siberian Federal District, significant to the Company:

- expansion of oil production, intensification of geological exploration to strengthen the resource base of the SibFD;
- implementation of large-scale investment projects using advanced development, drilling, and production technologies;
- creation of new jobs in order to attract workforce to the SibFD;
- securing reliable heat supply for the SibFD with its severe climate;
- support of the high scientific, technology, and educational potential of Siberia;
- energy conservation, improvement of the environmental quality, and ensuring environmental safety against the backdrop of an increasing anthropogenic load through the introduction of innovative technologies;
- support of traditional lifestyles of minority indigenous peoples of the North.



VANKORNEFT – ROSNEFT'S SUSTAINABILITY CHAMPION

CJSC Vankorneft has been implementing the project for the development of the Vankor field – the largest oil field discovered and developed in Russia over the last twenty-five years. The field is located in the north of the Eastern Siberia, in Turukhansky District of Krasnoyarsk Territory, 142 km from Igarka; its area is 447 sq. km. The overall investment in the development of the field so far is over RUB 413.8 billion. The project helps create new jobs and increase tax revenue of the regional budget.

INNOVATION MANAGEMENT

Today Vankor is the leading innovation venue in Russia's oil industry, where the newest technologies for increasing output, enhancing oil recovery, and improving recovery rates of natural and associated petroleum gas are used. All recent achievements of the national science and technology in the field of oil production are concentrated at Vankor.

At Vankor, state-of-the-art systems for the management of associated petroleum gas are used. In particular, the first enclosed flare systems in Eastern Siberia was installed at the field. The first such system is already used at UPSV-South (a free-water knock-out unit); the second system will be installed at UPSV-North, currently being constructed.

Unique technology for thermal stabilization of soil is used to prevent adverse impacts of heat from various oilfield structures on permafrost. A technology developed in Russia was selected for Vankor, since it outperformed other available solutions including those offered by foreign companies. All tanks and buildings are equipped with soil thermal stabilization systems preventing permafrost melting and associated deformation of the structures. Vankor is the first Russian oilfield where such a comprehensive approach towards protecting permafrost is used.



▲ Gas turbine power plant at the Vankor field

KEY FACTS AND FIGURES IN 2011

105.9 billion RUB	Investment
15 million tonnes	Oil produced
288	Total number of wells
105	Wells commissioned over the year

STAKEHOLDER ENGAGEMENT

One of the key instruments of Vankorneft's engagement with the government of Krasnoyarsk Territory is the long-term cooperation agreement between Rosneft and the region.

At all stages of the implementation of the CJSC Vankor project, public hearings have been carried out in the affected area. The hearings participants have supported the project, acknowledging that it meets both environmental requirements and expectations of residents of Turukhansky District, who are equally interested in the preservation of the environmental balance and the industrial development of the area. In 2011, the Compliance Department of CJSC Vankorneft conducted public hearings in Turukhansk for the proposed construction of a facility for processing drill cuttings from the Vankor field, and in Dudinka for the proposed construction of a municipal solid waste processing unit at the Severno-Vankorsky license area in the Taimyr Peninsula (on the right bank of the river Bolshaya Kheta),

where drilling operations were carried out in 2011. It is planned to launch the facilities in 2012. All public hearings held in 2011 resulted in the approval of proposed projects by participants.

To be able to effectively provide support to minority indigenous peoples of the North, CJSC Vankorneft joined the Board of Trustees of the Association of Minority Indigenous Peoples of the North of Krasnoyarsk Territory.

HEALTH, SAFETY, AND ENVIRONMENT

To ensure the safety of operations at the Vankor field for humans and the environment, Vankorneft implemented an Integrated HSE Management System certified as compliant with the international standards ISO 14001 and OHSAS 18001. Between April 19 and 22, 2011, a surveillance audit was carried out by the certification body Bureau Veritas Certification Rus. The auditors found that Vankorneft had an integrated management system compliant with the respective standards, and was continuously improving it.

EMPLOYEES

In 2011, one of the most important achievements of CJSC Vankorneft in the field of HR relations was receiving a Trusted Employer Certificate issued by the State Labor Inspectorate for Krasnoyarsk Territory, employer associations, and the regional Federation of Labor Unions. The certificate confirms that the company guarantees and observing employee rights within the framework of the project Declaration of Employer's Activities for Observing Labor Rights of Employees.

The company works to ensure the most comfortable living and working conditions for shift crews working at the field on a rotational basis. In 2011, Vankorneft commissioned a number of facilities for shift workers, including a shift camp for 850 persons, two temporary camps for construction workers accommodating 400 and 800 persons respectively, and a canteen with 78 seats. The shift camp has a library, a classroom, a conference hall, an exercise room, a canteen with 250 seats, a health station, a sauna, and a barbershop.



▲ Krasnoyarsk Oil and Gas Institute of Siberian Federal University

Furthermore, major renovation of four existing shift camps was carried out in 2011.

CJSC Vankorneft pays great attention to the development of the relevant educational and research base in Krasnoyarsk Territory, which previously had no institutions focused on training specialists for the oil industry. Vankorneft's key partners in the educational sector include the Oil and Gas Institute at the Siberian Federal University and the Vocational School #22 based in the town of Igarka. To support the training of potential employees, Vankorneft finances vocational guidance activities and specialized programs at schools and universities, provides corporate scholarships for best students and grants for teachers. In 2011, the company spent RUB 12.3 million on those purposes. On March 22, 2011, a Rosneft Day was held at the Institute. Furthermore, students of the Oil and Gas Institute participated in Science and Technology Conferences of young professionals at CJSC Vankorneft and at the regional level. One student received awards at the regional and then at the inter-regional conference.

Furthermore, in 2011, 450 university students received work placements at CJSC Vankorneft, including at the Vankor field (compared to 2010, when 251 students received work placements). Preparation of a work placement program for teachers of the Siberian Federal University was carried out.

SOCIETY

CJSC Vankorneft is involved in a broad range of social activities. For example, the company is a major donor providing aid to all types of institutions and social groups, which need social support. These include educational institutions, children's homes and orphanages, non-governmental organizations, individuals in need, charitable foundations, as well as healthcare centers and hospitals.

CJSC Vankorneft also supports traditional lifestyle and crafts of indigenous peoples. In particular, it has cosponsored the Reindeer Herder's Day in Turukhansky District. To celebrate the festival held in spring 2011, the company donated a snowmobile to the ad-



▲ The traditional Reindeer Herder's Day in the Sovetskaya Rechka of Turukhansky District of Krasnoyarsk Region

ministration of the Sovetskaya Rechka settlement. In the fall, CJSC Vankorneft and the Corporate Health Center, a provider of healthcare services at the Vankor field, conducted a medical check-up of residents of the settlement and reindeer herders living in camps.

CJSC Vankorneft's spending on such projects has been growing from year to year, reaching RUB 55.4 million in 2011.

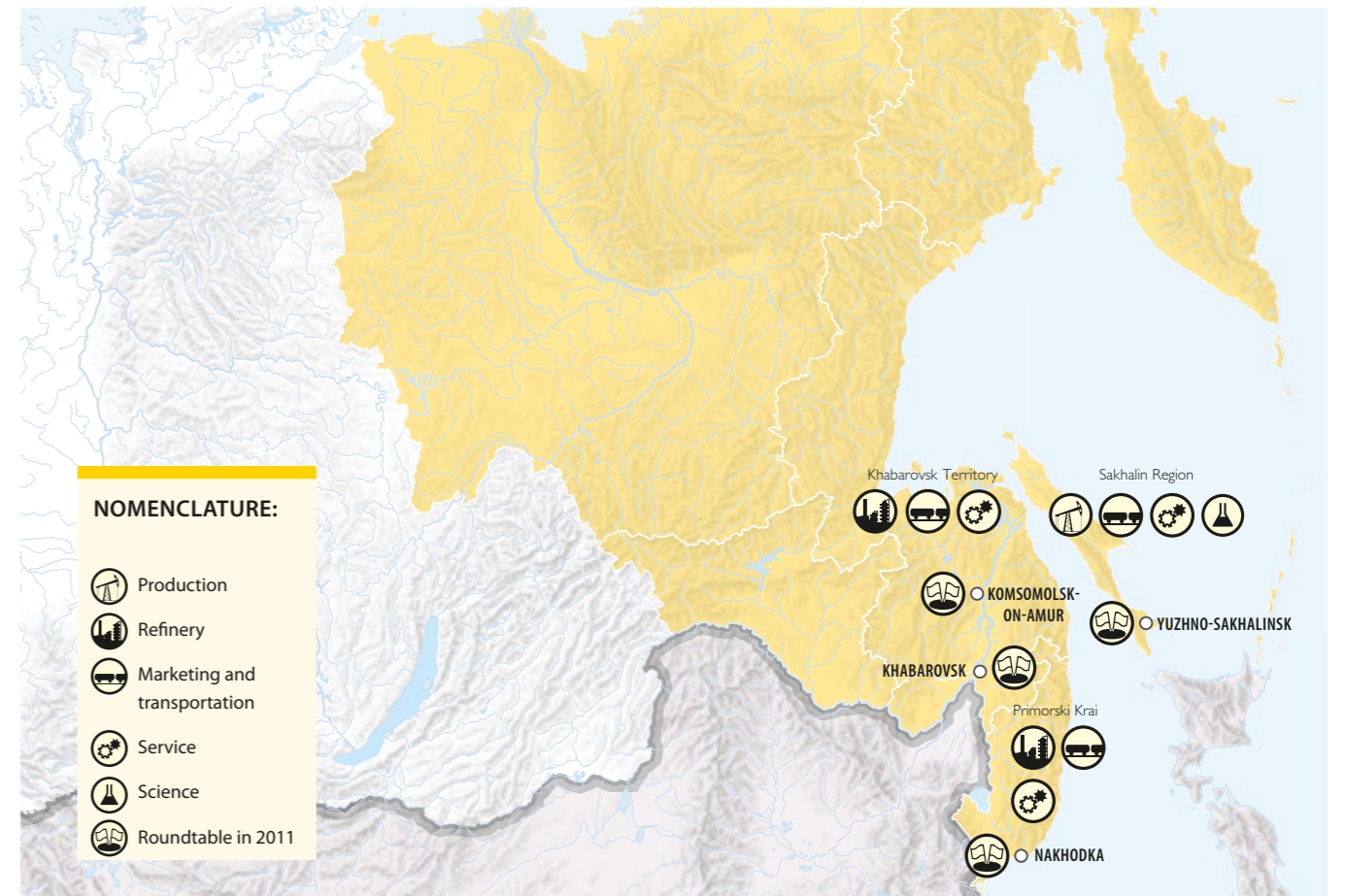
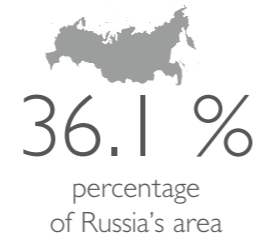
One of the most significant construction projects implemented by CJSC Vankorneft is Igarka Town's airport, a key transit point for shift workers coming to the Vankor field (in 2011, over 180 thousand people traveled to the field). Now the Igarka Airport with all its facilities, including the runway, is at the final stage of the modernization. In 2011, a modernization of the airport's runway was carried out; now the runway with a length of 2513 m is capable of handling 1st class aircraft. In the future, this will help the airport to play a role in the development of transcontinental flights. Today the Igarka airport complex includes a state-of-the-art passenger terminal and service build-

ing with an air traffic control center; a waiting building for shift workers accommodating up to 100 persons; and a comfortable hotel with a cafeteria. The overall cost of the Igarka Airport modernization project is estimated at RUB 10.3 billion.

The Company in the Far Eastern Federal District



THE FAR EASTERN FEDERAL DISTRICT COMPRISES:



GENERAL INFORMATION ABOUT THE FEDERAL DISTRICT IN 2011

31,735	Capital investment by the Company and its subsidiaries in 2011, RUB million
1,013,906	Total capital investment in the FEFD in 2011, RUB million
12,424	Average number of employees of the Company and its subsidiaries in the FEFD in 2011
3,500,000	Total workforce in the FEFD in 2011
49,122	Average nominal monthly salary paid by the Company and its subsidiaries in the FEFD in 2011, RUB
29,421	Average nominal monthly salary in the FEFD in 2011, RUB

Sustainability challenges in the Far Eastern Federal District, significant to the Company:

- relief of the tense social situation in certain areas within the district and addressing pressing social issues caused by economic and infrastructural isolation from other Russian regions;
- reduction of the population out-migration from the FEFD caused by uncomfortable living conditions;
- development of the energy and transport infrastructure of the FEFD;
- development of innovation projects and technologies, particularly taking into account the low degree of diversification of the regional economy and its current focus on harvesting natural resources with a low degree of processing;
- prevention of environmental pollution, particularly in the areas of high concentration of industrial operations within the FEFD;

- management of transboundary impacts on water bodies, including in the shelf zone;

- improvement of the public health and prevention of contagious diseases.





ACHIEVING A 95% APG RECOVERY RATE AT LLC RN-SAKHALINNEFTEGAS

LLC RN-Sakhalinneftegaz completed a major project for the construction of a state-of-the-art unit for APG treatment and recovery at the Odoptu-Sea offshore field. The project was a part of a large-scale investment program for the modernization of the field, which at present is considered the most promising one of those operated by LLC RN-Sakhalinmorneftegaz. The new unit helped ensure the recovery of APG at the field and substantially improve the reliability of gas supply to Okhinsky District.

This is the largest project of such kind in Sakhalin Region. The construction of the compressor station was started in the middle of 2010. The booster compressor station and the gas treatment plant were launched on June 30, 2011. The commissioning of the unit allowed to reach a 95% APG recovery rate at the Odoptu-Sea field and at RN-Sakhalinmorneftegaz as a whole since July, 2011. The recovered gas is delivered to the gas supply system of the Northern Sakhalin through the pipeline Odoptu-Sea – Tungor.



CREATION OF A PETROCHEMICAL PLANT IN THE FAR EAST

In 2011, the designing of a petrochemical plant of the Eastern Petrochemical Company (EPC), which will be constructed close to Nakhodka, was started. EPC will become the core of the Far Eastern Petrochemical cluster. The cluster approach in organizing factories is successfully applied all over the world for stimulation of sector development. This concept is embedded in the Russian Government's plan to develop national petrochemical industry.

During his visit to Sakhalin in March 2011, Prime-Minister of the Russian Federation Vladimir Putin called for acceleration of the Far East Petrochemical plant development. Apart from the importance of both crude oil and gas extraction, he highlighted the need to create significant capacity for oil and gas deep processing and petrochemical sector development.

The Far Eastern Petrochemical cluster will be developed on the basis of the natural resources from the south of Yakutia, with partial inclusion of resources from other East Siberian fields as well as a resource based on ESPO. Produced goods will be distributed on both domestic and foreign markets. Thus, the EPC will become the center of refinery production of the Far East Petrochemical cluster. Construction of the EPC will allow for significant increase in development index of human capital in Primorsky Territory.

This project will facilitate:

- population growth of Primorsky Territory due to the influx of new professionals from other regions of Russia;
- job creation;
- new professions and specialties creation in higher and secondary educational institutions and subsequent increase of the education level.

Petrochemical plant will radically change the social and economic environment of Nakhodka city as a result of providing the local population with essential social benefits. The petrochemical plant will have the following positive impact the society:

- increase in budget revenues at all levels through tax payments;
- development of social infrastructure: construction of preschools and schools, hospitals, roads, power plants, etc.

MEASURES TO ENSURE ACCESSIBILITY OF PETROLEUM PRODUCTS TO RETAIL CUSTOMERS, INCLUDING IN THE REMOTE AREAS

Rosneft pays special attention to programs for the development of its retail network in remote areas of the Russian Federation.

- Rosneft plans to build six state-of-the-art filling stations to service retail customers in Kamchatka Territory. At present, land lease agreements for the proposed sites are being prepared; it is planned to sign the agreements in the first half of 2012.
- In Sakhalin Region, Rosneft has 22 filling stations, including «socially-oriented» stations built for servicing retail customers in remote parts of the island. Furthermore, at present the Company is drafting a corporate program titled Development of Rosneft's Retail Network and Construction of Socially-Oriented Filling Stations in Remote Areas of Sakhalin Region.

Independent Assurance Report on the Sustainability Report 2011 of OJSC Oil Company Rosneft

TO THE BOARD OF DIRECTORS OF OJSC OIL COMPANY ROSNEFT

ENGAGEMENT

At the request of OJSC Oil Company Rosneft (hereinafter 'Rosneft') we have performed an assurance engagement. The subject matter of our engagement is the qualitative and quantitative information disclosed in the «Sustainability Report 2011 of Rosneft» (hereinafter 'the Report') except for the correspondence between the Report and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting developed by the International Petroleum Industry Environmental Conservation Association and American Petroleum Institute ('IPIECA/API'), Basic Performance Indicators issued by the Russian Union of Industrialists and Entrepreneurs ('RUIE'), and UN Global Compact principles.

Our engagement is aimed to obtain a limited level of assurance that the information in the Report is, in all material aspects, a reliable and sufficient representation of sustainability policies, activities, events and performance of Rosneft during 2011.

As defined in the International Framework for Assurance Engagements issued by International Federation of Accountants (hereinafter 'IFAC'), evidence-gathering procedures in order to obtain limited assurance are substantially less in scope than procedures to obtain reasonable assurance and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

CRITERIA

We have assessed the Report against the GRI Sustainability Reporting Framework (hereinafter GRI Framework), including version 3.0 of the Sustainability Reporting Guidelines (hereinafter GRI G3.0 Guidelines) and the sustainability reporting principles of Rosneft as set out in section 'About the report' on pages 10-11 of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

RESPONSIBILITY OF THE MANAGEMENT OF ROSNEFT

The management of Rosneft is responsible for the preparation of the Report and the information therein. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by the management, the scope of the Report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out in section 'About the report' on pages 10-11 of the Report.

OUR RESPONSIBILITY

Our responsibility in performing this assurance engagement is to express a conclusion with regard to the information in the Report.

We have performed our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by IFAC.

We have performed the procedures deemed necessary to provide a basis for our conclusion. Our principal procedures were:

- Interviews with representatives of Rosneft's management responsible for its sustainability policies, activities, performance and relevant reporting,
- Analysis of key documents related to Rosneft's sustainability policies, activities, performance and relevant reporting,
- Analysis of Rosneft's stakeholder engagement activities via reviewing minutes of stakeholder meetings conducted by Rosneft and observing two stakeholder meetings,
- Benchmarking of the Report against sustainability reports of selected international and Russian peers of Rosneft,
- Review of a selection of corporate and external publications with respect to Rosneft's sustainability policies, activities, events, and performance in 2011,
- Identification of material issues based on the procedures described above and analysis of their reflection in the Report,
- Review of data samples regarding human resources, environmental, health and safety, and charitable activities for key indicators as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately at the central office level,
- Visits to two Rosneft subsidiaries: involved in oil and gas production — Udmurtneft OJSC and RN-Purneftegaz LLC in order to gather evidence supporting the assertions made in the Report on Rosneft's sustainability policies, activities, events, and performance,

- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report at the central office level,
- Assessment of compliance with the sustainability reporting principles used by Rosneft, and
- Assessment of compliance of information and data disclosures in the Report with the requirements of «A+» Application level of GRI G3.0 Guidelines.

CONCLUSION

Based on our work performed nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects does not provide reliable and sufficient representation of sustainability policies, activities, events and performance of Rosneft during 2011 in accordance with GRI Framework and sustainability reporting principles of Rosneft.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of «A+» Application Level of GRI G3.0 Guidelines.

ERNST & YOUNG (CIS) B.V.

Moscow
14 June 2012

Conclusion of the RUIE Non-Financial Reporting Council on the Findings of the Review of Rosneft Sustainability Report 2011 for the Purpose of Public Verification

The Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (hereinafter the Council) established pursuant to the decision of the Bureau of the RUIE Board (Resolution dated June 28, 2007) reviewed Rosneft Sustainability Report 2011 (hereinafter the Report) at the request of OJSC Oil Company Rosneft (hereinafter the Company or Rosneft).

The Company asked the RUIE to provide a public verification of the Report by the Council. The Council assesses completeness and relevance of the information on the Company's performance presented in the Report, using principles of responsible business practice defined by the Social Charter of Russian Business as a benchmark.

Between September 15 and October 5, 2012, Council members reviewed the Report provided by the Company and prepared this Conclusion in accordance with the approved Procedure of Public Verification of Corporate Non-Financial Reports. The Council members have the required competence in the field of corporate social responsibility, sustainability, and non-financial reporting; comply with ethical standards regarding independence and objectivity of their judgment; and express their personal expert opinion rather than views of the organizations they represent.

The Report was reviewed in terms of relevance and completeness of its content based on the following criteria:

Information is considered relevant if it reflects a company's activities on the implementation of the responsible business practice principles as defined by the Social Charter of Russian Business (www.rsprr.ru).

Completeness implies a comprehensive representation of a company's performance, including values and strategic signposts guiding its activities, governance and management systems and structures, key achievements and results, as well as the stakeholder engagement system.

The use of international reporting frameworks by the Company was taken into account in the course of the public verification of the Report. However, verification of the level of compliance with international reporting frameworks is beyond the scope of this Conclusion.

It is the Company that is responsible for the information and statements provided in the Report. Reliability and accuracy of the factual data presented in the Report was not subject to the public verification.

This Conclusion was prepared for Rosneft. The Company may use this Conclusion both internally and in the context of external stakeholder relations, publishing it without any changes.

FINDINGS

Based on the review of the Report, information publicly available on the Company's official corporate website, and collective discussion of findings of the independent review carried out by members of the RUIE Non-Financial Reporting Council, the Council assures the following:

Rosneft Sustainability Report 2011 contains relevant information about the key areas of the Company's responsible business practice in accordance with the principles of the Social Charter of Russian Business. The Report discloses key events and achievements with regard to Rosneft's economic, social, and environmental performance in the reporting year with a fair degree of completeness.

The recommendations made by the RUIE Non-Financial Reporting Council in the context of the public verification of the Company's previous report for 2010 were taken into account in preparing the Sustainability Report 2011. In particular, the latter provides a broader coverage of the Company's economic activities in the regions where it operates and aspects of its environmental responsibility including the

management of greenhouse gas emissions, among others.

Rosneft Sustainability Report 2011 contains relevant information on the following aspects of responsible business practice:

Economic freedom and responsibility: The Report highlights key events, operational and economic achievements of Rosneft in 2011, performance trends in 2009 – 2011, and the Company's contribution to the development of the regions where its operations are based. The document contains information about the Company's objectives for 2012 and for the period 2012 – 2015, and the achievement of objectives described in the previous Sustainability Report. The reader is informed about a new strategic objective set by the Company in 2011 – becoming a global leader in the energy resources sector. The Report emphasizes the theme of innovation development, which has become particularly relevant in the context of the Company's entering new regions with complicated climatic and geological conditions, and setting new objectives within the framework of Rosneft's partnership with Exxon Mobil. The document informs about the adoption of the Company's Innovation Development Program and outlines the key priorities and objectives in this area. The Report underscores the continuity of the Company's approach towards the modernization of its refining operations in Russia, which involves the implementation of a major project in the Company's regions of operation and technology upgrade of refineries operated by its subsidiaries. The Report briefly outlines the Company's corporate governance system, providing a reference to more detailed information presented in the Annual Report. A general outline of the Company's sustainability, health, safety, and environmental management system is provided. The Report lists the key risks to the implementation of the Company's strategy, including those related to sustainability. The reader is informed about measures aimed at strengthening the motivation of senior managers for the achievement of sustainability objectives. Corporate documents reflecting the Company's position with regard to responsible business practice are mentioned.

Business partnership: The Report includes brief information about the Company's practice of business partnership and its approaches towards engagement with certain stakeholder groups.

The engagement with employees and local communities is covered more extensively. Special attention is paid to Rosneft's traditional practice of conducting regional roundtable meetings dedicated to a broad range of corporate responsibility and sustainability issues; quantitative and qualitative results of the meetings over the five-year period since the beginning of the practice are presented. The Report contains new information about Rosneft's approach to customer relations, including service quality surveys in the retail segment, which are used to improve customer service. Another significant topic is the Company's partnership with universities, which is viewed as an important instrument of Rosneft's innovation policy.

Environmental performance: The Report demonstrates that the Company has traditionally viewed environmental and operational safety as priority areas of corporate responsibility. The document includes Rosneft's environmental, health, and safety objectives for the period through 2020. The reader is informed about measures for the improvement of management approaches in this field, including the second surveillance audit carried out at a number of subsidiary companies to verify compliance of the Company's integrated environmental, health, and safety management system with the requirements of the international standards ISO 14001 and OHSAS 18001. According to the Report, the Company also started systematic analysis, selection, and implementation of innovative projects aimed at the introduction of state-of-the-art environmentally sound technologies and improvement of environmental safety at the production facilities of its subsidiaries. Important areas of activity include accident prevention and preparedness, energy conservation programs, projects to reduce pollutant emissions into the air and discharge of polluted wastewater into water bodies, measures to decrease the amount of accumulated oil sludge from past activities, waste processing and disposal, as well as remediation of contaminated lands. The Report presents detailed quantitative results of the Company's environmental activities in 2009-2011, including target and actual values of key environmental performance indicators, among other data. Information about the use of a new methodology for greenhouse gas emissions inventory, which takes into account both direct and indirect emissions associated with the Company's activities, is provided.

Human rights: The Report provides information about the observance of employees' labor rights, including the ensuring of decent working conditions and remuneration, personnel development programs, and social guarantees. The reader is informed about Rosneft's approach towards collective agreements, which includes oversight of the observance of employees' socio-economic rights and the introduction of a common corporate standard in this field. The improvement of environmental performance of the Company's operations affecting the interests of local communities in the respective regions is also viewed as related to the topic of human rights.

Contribution to local community

development: The Report covers the Company's contribution to the development of its regions of operation on the basis of long-term socio-economic cooperation agreements with regional governments. Within the framework of such agreements, the Company finances projects for the construction, modernization, and equipping of socially significant facilities. The Company manages all its social projects on the basis of a standardized approach defined by the corporate Sustainability Policy. The Report discusses the fifth round of annual stakeholder roundtables conducted by the Company in 2011 in its key regions of operation and lists actions taken by Rosneft in response to stakeholders' concerns and suggestions. The document also provides examples of concrete social projects, as well as consolidated data on the Company's spending in this area, which increased in 2011 compared to the previous year.

CONCLUDING POINTS

Overall, the information presented in the Report reflects the Company's continuous efforts on the incorporation of sustainability and corporate social responsibility principles in its business practice. The Report demonstrates the Company's progress toward the enhancement of its transparency, includes a significant number of performance indicators, and provides information about the achievement of its goals and objectives set for future periods.

The indicators used in the Report to characterize different aspects of responsible business practice are based on a number of international and Russian non-financial reporting frameworks (GRI, IPECA, RUIE basic performance indicators),

which ensures comparability of the information presented with other companies of the sector operating both within Russia and internationally.

Rosneft Sustainability Report 2011 is the Company's sixth sustainability report, which demonstrates the continuity of the development of the corporate non-financial reporting system. For several years, the Company has used such best practices in this area as various forms of independent assurance, including professional audit and public verification. This demonstrates the seriousness of the Company's attitude towards its commitments with regard to stakeholder communication and quality of the information disclosed.

RECOMMENDATIONS

While acknowledging the Report's strengths, the Council draws the attention of Rosneft to certain aspects of disclosure relevance and completeness, significant to stakeholders, and recommends to take them into account for the purpose of further improvement of the corporate reporting process.

The Council notes that the recommendations offered on the basis of the review of the previous Rosneft Sustainability Report 2010 remain relevant and can be used in the Company's reporting processes in the future.

While acknowledging the disclosure of the Company's objectives and results of their achievement, one can point to existing potential for further improvement of the respective section of the Report. At present, most objectives are presented in a descriptive form, reflecting a certain area of activity, while quantitative targets are available only for a limited number of objectives. It is recommended to increase the number of measurable quantitative targets when preparing future reports, which would help better assess the Company's performance in the key areas of its corporate responsibility.

The Company has acquired extensive experience of conducting stakeholder roundtables dedicated to regional socio-economic development and environmental issues, collecting and analyzing extensive material in the process. To further develop this practice, the Council recommends the Company, when preparing future reports, to also provide information about consideration

of constructive stakeholders' suggestions in the process of making decisions and developing corporate plans, programs and projects, disclose more details on concrete results, and inform about commitments taken by the Company and their fulfillment.

One should emphasize the importance of the coverage of engagement with all stakeholder groups viewed by the Company as its priority partners, including shareholders and investors, government authorities and non-governmental organizations. While recognizing the value of the disclosed information about the well-developed practice of regional roundtables as the Company's key stakeholder engagement method, it is recommended to also cover in more details other engagement methods and mechanisms used by the Company to achieve a balance of interests in making decisions on the aspects of its activities significant to stakeholders.

The theme of non-financial risk management deserves broader coverage. It is recommended to discuss it in more details in the future reports in the context of corporate responsibility and sustainability management and in connection with the implementation of the Company strategy.

In the Report reviewed, the Company expanded the coverage of its land remediation activities; however, the methodology of determining the area of contaminated land was not described. In the future, it would be helpful to pay more attention to this topic, taking into account the significance of the issue and results of the inventory of contaminated lands mentioned in the Report. Such information will be of interest to both the general public and specialist environmental organizations.

As seen from the Report, Rosneft has set itself an objective to achieve a 95% associated petroleum gas recovery rate across the entire Company by 2014. The information about approaches and ways of achieving this objective could help demonstrate feasibility of the Company's commitments. It is recommended to provide more practical details on this topic in future reports.

One should emphasize the importance of a clearer definition of the reporting boundary. In this regard, it is recommended to provide a complete list of the Company's assets covered by

the Report, comment on the exclusion of certain assets from the boundary, and explain reasons for using a different reporting boundary for certain indicators.

As stated in the Report, Rosneft sustainability reports are prepared at the corporate-wide level. It is recommended, when preparing future reports, to provide more information about various aspects of the corporate reporting process, including non-financial reporting management, monitoring and data collection procedures, as well as involvement of the Company's subsidiaries in the process. It is also recommended to provide more details about independent assurance and include information about public verification in the text of future reports. Such information would help demonstrate the Company's commitment to the improvement of its transparency and strengthen confidence in its reports.

The RUIE Non-Financial Reporting Council, supporting Rosneft's commitment to the principles of responsible business practice and acknowledging the continuity of the development of its reporting process, confirms that the Rosneft Sustainability Report 2011 has received public verification.

Chair of the RUIE Non-Financial Reporting Council

F.T. PROKOPOV

Deputy Chair of the RUIE Non-Financial Reporting Council, Executive Secretary

E.N. FEOKTISTOVA

ANNEX I. ACHIEVEMENT OF OBJECTIVES PRESENTED IN ROSNEFT SUSTAINABILITY REPORT 2010. OBJECTIVES AND TARGETS FOR 2012–2015

Achievement of Objectives Presented in Rosneft Sustainability Report 2010

Objective	Achievement
Innovation	
Preparation of the Company's Innovation Development Program.	In 2011, the Company's Innovation Development Program was developed and approved.
Preparation of a standard for intellectual property management; development of corporate standards with regard to innovation-related activities, including a standard for R&D project management.	To provide methodological support for the effective implementation of the Innovation Development Program, a number of corporate regulations and guidelines have been developed, including the Regulation on Intellectual Property, which defines the key principles and approaches of intellectual property management, and the Regulation on the Management of Targeted Innovation Projects.
Completion of the creation of a company-wide shared information space dedicated to corporate efficiency improvement programs in such areas as: modernization of production facilities; energy and resource efficiency; associated petroleum gas recovery; and environmental and operational safety.	In 2011, the Company initiated a targeted innovation project titled «The Creation of an Integrated Computerized System for the Management of Innovation Projects and Responsible Corporate Units. Support for Coordination of Targeted Innovation Projects with Executive State Authorities». The project will provide for the automation of innovation management activities at Rosneft. Furthermore, the project will result in the creation of a company-wide shared information space for targeted efficiency improvement projects and targeted innovation projects.
Development of standardized requirements for the monitoring of targeted efficiency improvement programs.	Requirements concerning the implementation of targeted projects have been included in the corporate Regulation on the Management of Targeted Innovation Projects.
Participation in shared technology platforms built under the auspices of the Russian government.	The Company participates in the work of two technology platforms.
Health, Safety, and Environment	
Reduction of the occupational injury rate, improvement of the quality of operational oversight in the field of OHS, industrial safety, and fire safety at the Company's subsidiaries.	The occupational injury rate has been decreasing continuously. All key OHS indicators have been improving in line with the targets defined by the Company's plans through 2020.
Accomplishment of the objectives of the corporate program for the elimination of past environmental damage set for 2011, including the remediation of 909 ha of oil-contaminated lands, elimination of 134 sludge pits, and processing of 412 thousand cubic meters of oily waste.	Within the corporate program for the elimination of past environmental damage, the following actions were implemented in 2011: 148 sludge pits were eliminated; over 1000 ha of oil-contaminated lands were remediated; over 140 thousand tonnes of oil sludge were processed; an inventory of sludge pits and oil-contaminated lands was carried out.
Commissioning of the first stage of wastewater treatment facilities at the Okha and Katangli fields operated by LLC RN-Sakhalinmorneftegaz.	The commissioning of the treatment facilities has been postponed to the first half of 2012 due to changes to the construction schedule made in 2011.
Completion of the construction of bank protection structures at LLC RN-Tuapsenefteprodukt to prevent petroleum products from entering the Tuapse River.	The bank protection structures at LLC RN-Tuapsenefteprodukt were completed and commissioned.
Commissioning of the first stage of wastewater treatment facilities at the LLC Tuapse Refinery.	Commissioning of the first stage of wastewater treatment facilities at the LLC Tuapse Refinery has been postponed due to changes to the construction schedule.

Objective	Achievement
Obtaining a positive conclusion of the State Environmental Expert Review for commercial application of the drilling sludge processing technology leading to the production of a concrete-type construction material.	A positive conclusion of the State Environmental Expert Review has been obtained, and the technology is used successfully.
Employees	
Implementation of the targeted program for bringing the Company's shift camps in compliance with the respective corporate standards.	In 2011, the implementation of the targeted program was continued.
Implementation of the corporate Health Program.	The implementation of the program was continued.
Transfer of assets unrelated to the Company's core business to other ownership.	In 2011, no social facilities were transferred to other ownership.
Providing at least 200 employees' families with housing, including over 100 families within the framework of corporate mortgage programs.	In 2011, the company provided 438 employees' families with housing; of them, 168 families acquired housing within the framework of the corporate mortgage programs.
Continuing the phased implementation of the reform of the Company's occupational pension system.	Rosneft's occupational pension schemes were expanded to include veterans retired prior to the launch of the Company's occupational pension program.
Expanding the KPI-based system of annual bonuses to include general directors of subsidiary companies and their deputies.	The KPI-based bonus system was expanded to include general directors of subsidiary companies and their deputies.
Approval and enactment of a corporate standard for the management of the Company's strategic candidate pool.	A standard for the management of the Company's strategic candidate pool has been enacted.
Completion of the necessary evaluation procedures and formation of a candidate pool for the second management tier.	The annual action plan within the framework of the integrated development program for the first-tier candidate pool was implemented. Personalized development plans for pool members were prepared. Candidate pool members continued to receive corporate MBA courses at the International School of Economics and Law of the Moscow State Institute of International Relations and at the Graduate School of Management at St. Petersburg State University. In 2011, a module-based program at the Skolkovo School of Management for candidate pool members was launched.
Selection of candidates with a high development potential. Preparation of personalized development plans, training programs, work placements, and other professional development activities for this employee group.	
Development and systematic implementation of rotation plans for senior management of the Company.	
Society	
Development of cooperation with regional governments and stakeholders in the regions of operation; increasing the spending under regional socio-economic cooperation agreements.	In 2011, the Company continued to develop cooperation with regional governments and stakeholders in its regions of operation; the overall amount of funding provided under regional cooperation agreements was increased.
Conducting at least as many roundtable meetings with stakeholders in the key regions of operation as in 2010.	The program of roundtable meetings with stakeholders was implemented in full.
Approval of the Integrated Regional Policy Program for 2011–2015.	The approval of the Integrated Program has been postponed to 2012.

Objectives for 2012

Innovation

- Continue the implementation of targeted innovation projects and targeted modernization and efficiency improvement programs.
- Initiate a number of new targeted innovation projects.
- Continue the establishment and development of Rosneft excellence centers at the leading Russian universities.
- Expand cooperation with innovative small and medium businesses, leading Russian and foreign research centers and organizations.
- Continue cooperation with foreign oil and gas companies.
- Develop methodological support of innovation activities.
- Implement a program for employee skill development and technology training.
- Complete organizational arrangements for the establishment of Rosneft Innovation Centers at the Gubkin Russian State University of Oil and Gas and the Siberian Federal University.
- Prepare the programs «Sedimentology of Oil» and «Gas Basins and Management of Offshore Projects» at the Lomonosov Moscow State University for the launch in 2012.
- Continue support of the Department of Global Energy Policy and Energy Security, the Company's partner department at the International Institute of Energy Policy and Diplomacy of the Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs.

Environmental safety

- Revise quantitative environmental objectives, taking into account the performance of international oil and gas companies.
- Continue the implementation of the program for the elimination of past environmental damage accumulated prior to the consolidation of subsidiaries.
- Revise and update the targeted environmental program for the oil and gas production sector.
- Develop a targeted environmental program for the refining sectors.
- Implement plans for the commissioning of environmental facilities at the refineries as part of their modernization.
- Ensure timely removal, decontamination, and final disposal of oil-contaminated soil resulting from modernization projects at the Samara group of refineries and the Komsomolsk Refinery.
- Eliminate, in a phased manner, underground «lenses» of petroleum products at the Company's facilities in Samara Region.
- Promote innovation activities in the field of environmental protection within the framework of the Company's system of targeted innovation projects.

Industrial safety and occupational health

- Continue the reduction of the occupational injury rate, as well as the improvement of the quality of operational oversight in the field of OHS, industrial safety, and fire safety at the facilities of the Company's subsidiaries.
- Implement the targeted corporate program for the modernization and equipping of fire services of Rosneft subsidiaries.
- Approve a concept of the development of the Company's activities in the field of occupational health and safety aimed at improving the effectiveness of these activities.

Employees

- Ensure fast adaptation of young professionals; to that end, develop a special adaptation course for newly recruited young employees.
- Continue the development of research and innovation activities of young employees.

- Identify young leaders in order to support their development, involvement in company-wide activities, and career growth.
- Develop the practice of mentoring; strengthen the activities of young professionals' councils at Rosneft subsidiaries; develop methodology guidelines for the councils.

Society

- Continue systematic cooperation with the regions where the Company operates.
- Approve the Integrated Regional Policy Program.
- Expand the corporate employee health improvement program

Objectives for 2013–2015

Innovation	Health, safety, and environment	Employees	Society
Implementation of the Innovation Development Program.	Reduction of the occupational injury rate, improvement of the quality of operational oversight in the field of OHS, industrial safety, and fire safety at the facilities of the Company's subsidiaries.	Reduction of the overall illness rate among employees by at least 30% by 2013 compared to the 2008 level through the implementation of the corporate Health Program.	Implementation of the Integrated Regional Policy Program for 2011–2015 ¹⁴ . Continuation of cooperation with regional governments and stakeholders in the regions of operation under socio-economic cooperation agreements.
Continued cooperation with regional governments and stakeholders in the regions of operation under socio-economic cooperation agreements.	Cleanup of all oil-contaminated lands and oil sludge historically accrued by the Company's subsidiaries.	Providing the Company's expanding operations with skilled personnel against the backdrop of decreasing availability of skilled workforce in Russia.	Conducting at least as many roundtable meetings with stakeholders as in 2011.
Continued cooperation with research institutions in the field of innovation development.	Cleanup of all oil-contaminated lands and oil sludge historically accrued by the Company's subsidiaries.	Providing the Company's expanding operations with skilled personnel against the backdrop of decreasing availability of skilled workforce in Russia.	Conducting at least as many roundtable meetings with stakeholders as in 2011.
	Expansion of the Company's Integrated Management System to encompass additional subsidiaries.	Development of collaboration with educational and training institutions in order to attract the best graduates to the Company.	
	Achievement of a 95% APG recovery rate across the entire Company.	Development of the employee training system aligned with short-, medium- and long-term needs of the Company's business.	
	Reduction of specific pollutant emissions, the amount of accumulated oil-containing waste, the accident rate, and the area of contaminated lands (see the respective section of this Report for the targets in this area).	Strengthening the candidate pool management in order to meet the needs of the Company's expanding business for highly skilled management staff.	

¹⁴ Approval of Integrated Regional Policy Program was postponed to 2012.

ANNEX 2. KEY SUSTAINABILITY PERFORMANCE INDICATORS

Indicator	2009	2010	2011
Operational and financial indicators¹⁵			
Proved oil reserves, PRMS, mmt	2,483	2,487	2,519
Proved gas reserves, PRMS, bscm	816	791	850
Oil and gas condensate production ¹⁶ , mmt	112.8	119.6	122.5
Gas production ¹⁶ , bscm	12.8	12.4	12.9
Refining throughput, mmt	49.8	50.5	57.9
Output of petroleum products and petrochemicals, mmt	47.1	47.9	55.4
Assets at the end of the year, RUB billion	2,725	3,015	3,377
Long-term accounts and liabilities payable at the end of year, RUB billion	475	552	601
Dividends paid, including minority dividends paid by subsidiaries, RUB billion	20	22	27
Generated and distributed direct economic value, RUB billion			
Generated direct economic value			
a) Revenue	1,494	1,939	2,738
Distributed economic value			
b) Operating costs	414	493	768
c) Employee wages and benefits	67.3	72.7	74.8
d) Payments to providers of capital	43	43	46
e) Payments to governments	700	925	1,384
f) Community investments	6.2	3.6	10.7
Retained economic value	264	402	454
Health, safety, and environment performance indicators¹⁷			
Total pollutant emissions into air, thousand tones	945	925	1,023
Associated petroleum gas recovery rate ¹⁸ , %	67.0	56.2	53.7
Total wastewater discharge to surface water bodies, mcm	98.2	95.2	90.4
Number of pipeline ruptures	12,362	12,385	11,069
HSE training, including emergency preparedness, man-courses	93,920	100,784	110,290

¹⁵ According to IFRS, unless stated otherwise.¹⁶ According to RAS.¹⁷ According to management accounts.¹⁸ Data for all subsidiaries and dependent companies (with Company's ownership interest taken into account) in the oil and gas production sector.

Indicator	2009	2010	2011
Expenditures on occupational health and safety, RUB mln	1,899	2,111	2,353
Expenditures on emergency prevention, fire and radiation safety, and well control, RUB mln	3,492	4,716	4,555
Capital environmental expenditures, RUB mln	5,661	6,495	7,355
Operating environmental expenditures, RUB mln	6,180	6,836	10,567
Environmental pollution fines, RUB mln	23	29	87
Environmental pollution fees, RUB mln	438	589	653
Environmental damage from accidents, RUB mln	2.7	0	0
HR management indicators¹⁹			
Staff size as of December 31 ²⁰	166,951	167,872	168,373
Average staff size over the year ²¹ , thousand	139.4	144.2	162.0
Workforce by category, %			
Workers	62.1	61.6	62.0
Specialists and administrative staff	26.1	26.9	26.3
Managers	11.8	11.5	11.8
Workforce by gender, %			
Women	32.5	32.4	31.8
Men	67.5	67.6	68.2
Employee turnover, %	8.6	10.4	10.5
Average monthly salary, RUB	35,975	39,705	43,616
Gross payroll (incl. benefit payments and one-time bonuses included in the gross payroll), RUB mln	60,197	68,665	84,807
Social payments to employees, RUB mln	2,477	2,544	3,339

¹⁹ According to management accounts (within the boundary of centralized business planning), unless stated otherwise.²⁰ For all subsidiaries included in the RAS reporting boundary.²¹ Almost all staff (99.9%) are employed full-time.

Achievement of the Objectives Presented in the Sustainability Report 2010

Indicator	2009	2010	2011
Society performance indicators²²			
Tax payments and export duties, RUB mln	714,320	1,001,388	1,470,887
incl. tax payments to the federal budget and customs duties	606,276	851,788	1,283,090
incl. tax payment to regional budgets	96,888	136,981	169,181
incl. payments to extra-budgetary funds	11,156	12,619	18,616
Expenditures on social programs, including social investments and charity in the regions of operation, RUB mln	15,910	16,565	20,298
incl. creation of optimal working conditions, RUB mln	5,675	4,928	5,313
incl. implementation of regional cooperation agreements, RUB mln	1,862	1,880	3,228
incl. charity, RUB mln	796	1,652	2,864

ANNEX 3. COMMENTS AND RECOMMENDATIONS OFFERED BY PARTICIPANTS OF ROUNDTABLE MEETINGS IN 2011

1. Health, Safety, and Environment

Although participants of many roundtable meetings acknowledged significant progress made by the Company in the field of health, safety, and environment, they also mentioned a number of problems typical for OJSC Rosneft Oil Company subsidiaries.

- **Conducting environmental monitoring and providing complete environmental information.** At the roundtable meetings, it was found that the general public has little knowledge of environmental performance of Rosneft subsidiaries. As a result, the Company is often perceived as the main source of environmental pollution in the regions where it operates, even if this is not the case.
Proposal. Better inform the public about the Company's environmental activities and results of environmental monitoring. Develop a corporate regulation on the provision of environmental information to stakeholders.
- **Achieving a 95% level of APG recovery rate.** The Company lags behind other Russian oil companies in terms of this indicator. At the roundtable meetings, some stakeholders expressed concerns that Rosneft subsidiaries may not be able to achieve the target recovery rate by 2012. At the same time, the subsidiaries require support from the corporate center in order to achieve this objective. Representatives of regional and local authorities participating in some of the meetings were not aware of the subsidiaries' progress in this area.
Proposal. Make arrangements for the Company's top management to provide special oversight of this issue and address it by joint efforts of the corporate center and all subsidiaries to which the issue is relevant.
- **Past environmental pollution at older oil fields.** Proper management of complex environmental legacy including, among other aspects, accumulated oil sludge and deteriorated pipeline systems is a challenge typical for older oil fields.
Proposal. Specifically address this issue in corporate environmental programs. Carry out a PR campaign to explain the origin of legacy oil sludge and actions taken by Rosneft subsidiaries to ensure its proper disposal.
- **Oversight of contractors' HSE performance.** The problem of contractors' HSE compliance is typical for many Rosneft subsidiaries, despite the fact that the Company has already taken a number of measures to bring contractors' activities in compliance with the existing standards and regulations. Stakeholders file numerous complaints regarding contractors' failure to comply with environmental standards.
Proposal. Strengthen the oversight of contractors' HSE compliance. At the Company level, make a decision to build stakeholder communications with regard to contractors' performance and oversight.
- **Environmental education.** The level of environmental awareness among the general public, including young people, remains low. Voluntary environmental initiatives are undertaken at the level of individual subsidiaries in a fragmented and uncoordinated manner.
Proposal. Organize, at the Company level, environmental projects (similar to the «Rosneft classes» or the annual Spartakiad), able to deliver specific outcomes and significant PR results, while being inexpensive.
- **Used oil disposal (refineries and/or marketing subsidiaries).** The lack of a system for collecting used oil from individuals and organizations for proper disposal is an important problem at the national level.
Proposal. Explore opportunities for organizing used oil collection and disposal as a separate socially-oriented business project implemented jointly with public authorities through a public-private partnership (PPP).

2. Development of Regional Economies

Stakeholders participating in virtually every roundtable meeting noted a high level of collaboration of the Company and its subsidiaries with regional authorities and other regional stakeholders. The participants appreciated the contribution of most subsidiaries to the development of their regions of operation. However, the stakeholders also shared their concerns and expectations directly related to activities of the Company and its subsidiaries.

²³ According to management accounts (within the boundary of centralized business planning).

- **Contribution to budget revenues.** Regional authorities expect the Company to increase its contribution to budget revenues by redistributing its tax payments, for example, through opening regional representative offices, registering contractor employees in the regions where they actually work etc.
Proposal. Explore the problem with the involvement of the respective departments of the Company's headquarters and, jointly with Rosneft subsidiaries, identify possible actions of the Company.
- **Declining oil production.** Declining oil production by certain Rosneft subsidiaries is a serious source of concern among local authorities.
Proposal. In addition to stepping up the Company's own efforts and using innovative techniques for improving the recovery rate, explore opportunities for leasing depleted wells out to high-tech companies specializing in production at depleted oil field or for creating such companies with the involvement of regional authorities, the Company and its subsidiaries.
- **Keeping local authorities informed about the Company's plans.** Municipal authorities do not have information about strategic development plans of the Rosneft subsidiaries operating within their municipalities.
Proposal. More actively engage public authorities in strategic planning processes of the Company and individual subsidiaries; organize the collection of information necessary for decision-making.
- **Involvement of the Company in the preparation of regional socio-economic development strategies and the timely signing of socio-economic cooperation agreements with regional governments.** In some regions where the Company operates, socio-economic cooperation agreements have not been signed, which draws criticism from stakeholders. In addition, some participants asked the Company to assist local authorities in the preparation of regional and local development strategies.
Proposal. Participate more actively in the preparation of documents related to socio-economic development of the areas where the Company operates, thus integrating corporate development strategies with the respective regional and municipal programs.
- **Maintenance of municipal roads.** Representatives of local authorities drew the Company's attention to the problem of maintaining certain public roads. It is public authorities that are responsible for financing their repairs, while the main source of their deterioration is the use of heavy machinery operated by oil companies.
Proposal. Include contribution to the maintenance of public roads as a commitment in the Company's socio-economic cooperation agreements with regional authorities.
- **Supporting small and medium businesses.** Various stakeholders, particularly local authorities, have drawn the Company's attention to the importance of using local suppliers and contractors, since that helps create local jobs, maintain social stability, and increase budget revenues at the regional and local levels. The meetings participants cited examples of major international companies, which pay serious attention to this issue when operating in foreign counties and help local authorities and residents create small and medium businesses not necessary directly related to the companies' own operations.
Proposal. Develop a centralized corporate program for supporting small and medium businesses in the regions where the Company operates. Such a program could be implemented jointly with municipal and/or regional authorities through a public-private partnership.
- **Worsening of the standard of living and working conditions of employees of the service companies spun off from Rosneft subsidiaries.** The roundtable meetings revealed an alarming trend — the service companies spun off as separate legal entities do not always have necessary financial resources for improving the standard of living of their employees and providing appropriate social benefits.
Proposal. Explore opportunities for the preparation, at the Company level, of a comprehensive concept for the development of service subsidiaries.
- **High prices for petroleum products (refining and sales subsidiaries).** Stakeholders typically do not have sufficient information about factors affecting petroleum prices, and tend to view oil companies as solely responsible for high prices.
Proposal. Develop and carry out, with the involvement of mass media, an information campaign to explain the real situation on the fuel market and the Company's official position in this regard to the general public.

3. Social Activities and Engagement with the Public

Participants of all roundtable meetings highly appreciated the Company's social activities. They also expressed additional expectations and suggested approaches towards further development of social activities of Rosneft subsidiaries. In 2011, stakeholders discussed the following issues:

- **Projects to support cultural heritage.** Stakeholders proposed the Company and its subsidiaries to participate in projects to support Russian architectural monuments, customs, and the traditional Russian culture as a whole.
Proposal. Consider opportunities for the development of a targeted corporate program aimed the revival of the Russian culture in the broad sense. Such a program may involve a number of projects implemented through specific public-private partnerships.
- **Disclosure of information about the Company's social performance.** To many OJSC Rosneft Oil Company subsidiaries, effective promotion of their social achievements for the purpose of building the image of a socially responsible company poses a serious problem.
Proposal. Explore opportunities for the improvement of the Company's information policy. In addition to traditional articles in printed media, use a range of other approaches towards the creation of the image of a socially responsible company in the regions of operation. These approaches may include creating thematic TV and radio programs broadcast on a regular basis in the key regions of operation, conducting meetings or conferences dedicated to social and/or environmental activities, holding video conferences with other regions of operations etc.
- **Pension support of veterans retired prior to the launch of the Company's corporate pension program.** These veterans receive much lower pensions than those who retired when the corporate pension program was already in place and therefore are covered by the program. The issue is relevant to all regions where the Company operates.
Proposal. Carry out an analysis in order to identify the number of the Company's veterans not covered by the corporate pension program and estimate the amount of funds necessary to finance additional pension payments. Then negotiate joint actions with regional governments to address the issue within the framework of regional socio-economic cooperation agreements.
- **Financial support for the construction of kindergartens.** This request was often voiced at the roundtable meetings, reflecting the increased birth rate in the recent years.
Proposal. Pay attention to the problem of the lack of kindergartens. When drafting and signing regional socio-economic cooperation agreements, shift the focus from high-profile projects – the construction of huge sports palaces and cultural centers, large-scale city improvement projects – to probably less visible but vitally important social facilities, such as kindergartens, healthcare institutions etc.
- **Authorization of small-scale charity activities.** At present, any charitable aid provided by Rosneft subsidiaries, however small, require authorization at the Company level. Similar questions were raised at the roundtable meetings in 2007–2008, whose participants suggested to grant the respective authority to CEOs of subsidiary companies.
Proposal. Explore opportunities for allowing management of Rosneft subsidiaries to authorize small-scale charitable initiatives without mandatory approval from the Company headquarters.
- **Supply of petroleum products to remote areas.** Participants of roundtable meetings raised questions about the availability of high-quality fuel to customers in remote areas – a problem typical for many regions where the Company operates.
Proposal. Explore the feasibility of designing and implementing standardized solutions specifically tailored for supplying relatively small amounts of fuel to customers in remote areas, including filling mini-stations, economy-class filling stations, filling trucks operating from a small-scale petroleum depot etc.
- **Compensations to indigenous communities residing within the areas where the Company extracts oil and gas.** The issue of a methodology to calculate the size of compensation to minority indigenous communities from Rosneft subsidiaries is often raised at roundtable meetings.
Proposal. Pay attention to the issue of compensations to minority indigenous communities; actively participate in the development of the respective methodologies in the regions where indigenous communities reside within the areas of extractive operations.

4. Education

Representatives of the educational sector participated in all roundtable meetings. In most regions where the Company supports Rosneft classes, stakeholder representatives expressed their sincere gratitude for the contribution to vocational guidance and personal development of the youth by means of personal communication with established professionals working for a major renowned company. University representatives highly appreciated the Company's approach towards the engagement with educational institutions. At the same time stakeholders raised certain issues and offered a number of suggestions:

- **Work placements of teachers of specialist universities at Rosneft operations.** Both stakeholders and subsidiaries believe that such work placements would be to the great benefit of all the parties involved.
Proposal. Organize a program of work placements for teachers of specialist universities.
- **Training highly-skilled workers.** Rosneft subsidiaries face a deficit of skilled workers. The problem, which is often raised at the meetings, is particularly acute for production subsidiaries.
Proposals. Consider opportunities for the development of a corporate program to support vocational schools training skilled workers, thus covering the entire employee training chain.
- **Enhancement of university curricula to meet the Company's needs for skills, and long-term planning of needs for young professionals.** Stakeholders noted the lack of fit between the curricula of specialist universities and the skill sets required by Rosneft operations. Therefore the universities are eager to involve specialists of Rosneft subsidiaries and other practitioners into the training process.
Proposal. Analyze the experience of cooperation with universities and develop an «end-to-end» program for the training of specialists demanded by the Company. It was also recommended to evaluate long-term needs for young professionals based on the development strategies of the Company and its subsidiaries, and develop the respective plan.
- **More active engagement of specialists of the Company and its subsidiaries in vocational guidance of school and university students.** Stakeholder representatives emphasized that personal communication with Company managers and specialists having a good knowledge of modern business and building a successful career is essential to the formation of a worldview of school and university students.
Proposal. Ensure regular participation of specialists of the Company and its subsidiaries in meetings with school and university students.

ANNEX 4. LIST OF ABBREVIATIONS

OJSC Rosneft, Rosneft, the Company — abbreviated names of OJSC Rosneft Oil Company
GRI Guidelines – Sustainability Reporting Guidelines (the third version, or G3) developed by the Global Reporting Initiative, an international organization

AA	Autonomous Area	PIS	process information system
APG	associated petroleum gas	PRMS	Petroleum Resources Management System
API	American Petroleum Institute	R&D	research and development
CFD	Central Federal District	RAS	Russian Accounting Standards
CJSC	Closed Joint-Stock Company	RAS	Russian Academy of Sciences
EMS	Environmental Management System	RF	Russian Federation
EPC	Eastern Petrochemical Cluster	RUIE	Russian Union of Industrialists and Entrepreneurs
ESPO	Eastern Siberia and Pacific Ocean pipeline	SDCs	subsidiaries and dependent companies
FEFD	Far Eastern Federal District	SFD	Southern Federal District
GRI	Global Reporting Initiative	SFU	Siberian Federal University
GTL	Gas to Liquids, a process to convert natural gas into liquid hydrocarbon products	SibFD	Siberian Federal District
HSE	health, safety, and environment	STC	Scientific and Technology Council
IMS	Integrated Management System	UFD	Urals Federal District
IPIECA	International Petroleum Industry Environmental Conservation Association	UN	United Nations
KPI	key performance indicator	UNFCCC	United Nations Framework Convention on Climate Change
LLC	Limited Liability Company	US GAAP	Generally Accepted Accounting Principles (United States)
n/a	not available	VFD	Volga Federal District
NCFD	North Caucasian Federal District	VMI	voluntary medical insurance
NTS	New Technology System	VOC	volatile organic compound
NWFD	Northwestern Federal District		
OHS	occupational health and safety		
OJSC	Open Joint-Stock Company		

bscm – billion standard cubic meters

mcm – million cubic meters

mln – million

mmt – million metric tons

ANNEX 5.

CORRESPONDENCE BETWEEN THIS REPORT, GRI SUSTAINABILITY REPORTING GUIDELINES (G3), THE OIL AND GAS INDUSTRY GUIDANCE ON VOLUNTARY SUSTAINABILITY REPORTING BY IPIECA/API (2010), THE PRINCIPLES OF THE UN GLOBAL COMPACT, AND THE RUIE BASIC PERFORMANCE INDICATORS FOR NON-FINANCIAL REPORTING (2008)

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Strategy and Analysis								
Statement from the Chairman of the Board, Statement from the CEO	1.1			Statement expressing continued support	A Message from Chairman of the Board of Directors of OJSC Rosneft Oil Company, A Message from President of OJSC Rosneft Oil Company	4-7	+	
Description of key impacts, risks, and opportunities	1.2				See below			
<ul style="list-style-type: none"> description of the significant impacts the organization has on sustainability and associated challenges and opportunities 	1.2				Company's Activities in its Regions of Operation – Dialog with the community	50-51	+	Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Development/factors/
<ul style="list-style-type: none"> an explanation of the approach to prioritizing these challenges and opportunities 	1.2				Company's Activities in its Regions of Operation – Dialog with the community	50-51	+	
<ul style="list-style-type: none"> key conclusions about progress in addressing these topics and related performance in the reporting period 	1.2				Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2010. Objectives and Targets for 2012–2015	6-7, 88-89, 92-94	+	
<ul style="list-style-type: none"> description of the main processes in place to address performance and/or relevant changes 	1.2				The Company in 2011: General Information –Corporate Governance and Management	14-15	+	
<ul style="list-style-type: none"> description of the most important risks and opportunities for the organization arising from sustainability trends 	1.2				The Company in 2011: General Information –The Company's Risks; Rosneft's Activities in its Regions of Operation	15, 50-85	+	Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Development/factors/
<ul style="list-style-type: none"> prioritization of key sustainability topics as risks and opportunities according to their relevance for long-term organizational strategy 	1.2				The Company in 2011: General Information –The Company's Risks; Rosneft's Activities in its Regions of Operation – Dialog with the community	15, 50-51	+	Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Development/factors/
<ul style="list-style-type: none"> table(s) summarizing performance against targets, and lessons-learned for the current reporting period 	1.2				Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2010. Objectives and Targets for 2012–2015; Annex 2. Key Sustainability Performance Indicators	88-89, 92-94	+	
<ul style="list-style-type: none"> table(s) summarizing targets for the next reporting period and mid-term objectives and goals related to key risks and opportunities 	1.2				Annex 1. Achievement of Objectives Presented in Rosneft Sustainability Report 2010. Objectives and Targets for 2012–2015	90-91	+	
<ul style="list-style-type: none"> concise description of governance mechanisms in place to specifically manage these risks and opportunities, and identification of other related risks and opportunities 	1.2				The Company in 2011: General Information; Innovation Development	14-15, 20-23	+	Additional information is available in Annual Report 2011.

Disclosure (indicator) definition	GRI disclosure or indicator	IPECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Organizational Profile								
Name of the organization	2.1				Contact Details	128	+	
Primary brands, products, and/or services	2.2				The Company in 2011: General Information	14-15	+	Primary products — oil and petroleum products.
Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.3				The Company in 2011: General Information	14-15	+	Additional information is available in Rosneft Annual Report 2011 and on Rosneft's corporate website http://www.rosneft.ru/about/Glance/
Location of organization's headquarters	2.4						+	Rosneft headquarters is based in Moscow.
Number of countries where the organization operates	2.5						+	Annual Report 2011 (About the Company).
Nature of ownership and legal form	2.6						+	Annual Report 2011 (About the Company).
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7						+	Annual Report 2011 (About the Company).
Scale of the organization	2.8						+	Annual Report 2011 (About the Company).
<ul style="list-style-type: none"> number of employees (breakdown by country/region) 					Annex 2. Key Sustainability Performance Indicators; Company's Activities in its Regions of Operation	93, 52, 56, 60, 64, 68, 72, 76, 78, 82	+	
<ul style="list-style-type: none"> net sales, sales/revenues by countries/regions that make up 5 percent or more of total revenues 							+	Annual Report 2011 (About the Company).
<ul style="list-style-type: none"> total capitalization 							+	Annual Report 2011 (Corporate Governance).
<ul style="list-style-type: none"> quantity of products or services provided 							+	Annual Report 2011 (About the Company).
<ul style="list-style-type: none"> total assets 							+	Annual Report 2011 (Corporate Governance).
<ul style="list-style-type: none"> beneficial ownership (including identity and percentage of ownership of largest shareholders) 							+	Annual Report 2011 (About the Company).
<ul style="list-style-type: none"> costs by countries/regions that make up 5 percent or more of total revenues 							+	Annual Report 2011 (Performance Review). The Company carries out most of its operations in the Russian Federation. Rosneft's foreign assets are not significant cost centers.
Significant changes during the reporting period regarding size, structure, or ownership	2.9				A Message from Chairman of the Board of Directors of OJSC Rosneft Oil Company, A Message from President of OJSC Rosneft Oil Company	4-7	+	
Awards received in the reporting period	2.10						+	OJSC Rosneft Oil Company did not receive awards for its sustainability performance in the reporting period.

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Report Parameters								
Reporting period	3.1				About This Report	10	+	
Date of most recent previous report (if any)	3.2				About This Report	10	+	
Reporting cycle	3.3				About This Report	10	+	
Contact point for questions regarding the report or its contents	3.4				Contact Details	128	+	
Process for defining report content	3.5						+	The Company defines Report content on the basis of the GRI Guidelines, stakeholders' opinions voiced at roundtable meetings, topics raised by mass media, and priority areas of the Company's activities.
Boundary of the report	3.6				About This Report	10-11	+	
Limitations on the scope or boundary of the report	3.7				About This Report	10-11	+	
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/ or between organizations	3.8				About This Report	10-11	+	The Report boundary includes the subsidiaries, in which the Company holds at least a 50% interest, and whose performance is significant in terms of sustainability aspects. Report boundaries for individual indicators may depend on the existing data collection systems and processes, as explained in comments to the respective indicators.
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	3.9						+	The Company has improved its data collection procedures with regard to the amount of spilled oil and the area of lands contaminated as a result of spills. The data on this indicator provided in Sustainability Report 2010 are incomplete.
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3.10						+	The Company has carried out a partial inventory and obtained more accurate data on the area of contaminated lands. The data on this indicator provided in Sustainability Report 2010 are inaccurate.
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11				About This Report	11	+	
Table identifying the location of the Standard Disclosures in the report	3.12				This Annex	100-127	+	
Policy and current practice with regard to seeking external assurance for the report	3.13				About This Report	11	+	
Governance, Commitments, and Engagement								
Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	4.1						+	Annual Report 2011 (Corporate Governance).
Indication whether the Chair of the highest governance body is also an executive officer	4.2						+	Annual Report 2011 (Corporate Governance).

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	4.3						+	Annual Report 2011 (Corporate Governance).
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4						+	Sustainability Report 2009 (Sustainability and Corporate Culture, pp. 65-67).
Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	4.5						+	Annual Report 2011 (Remuneration of Members of the Board of Directors and Management).
Processes in place for the highest governance body to ensure conflicts of interest are avoided	4.6						+	Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Investors/corpgov/
Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social (sustainability) topics	4.7						+	Additional information is available on Rosneft's corporate website http://www.rosneft.ru/Investors/corpgov/
Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	4.8			1.1	The Company in 2011: General Information – Sustainability Policy, Code of Business Ethics		+	Additional information is available on Rosneft's corporate website: Sustainability Policy of Rosneft http://www.rosneft.ru/attach/0/02/68/development_policy.pdf Code of Business Ethics http://www.rosneft.ru/attach/0/02/76/Kodeks_rus.pdf
Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	4.9						+	Annual Report 2011 (Corporate Governance).
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10						+	Annual Report 2011 (Remuneration of Members of the Board of Directors and Management).
Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.11		Principle 7				+	The Company considers it important to carry out necessary expert reviews and studies in order to minimize adverse environmental impacts of planned activities.
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.12						+	The Company has joined the UN Global Compact and the Social Charter of Russian Business.
Memberships in associations (such as industry associations) and/or national/international advocacy organizations	4.13						+	Sustainability Report 2009 (Stakeholder Engagement, pp. 38-39).

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
List of stakeholder groups engaged by the organization	4.14						+	Sustainability Report 2009 (Stakeholder Engagement, pp. 38-39).
Basis for identification and selection of stakeholders with whom to engage	4.15						+	Sustainability Report 2009 (Stakeholder Engagement, pp. 38-39).
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16				Stakeholder Engagement	16-19	+	
Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	4.17				Stakeholder Engagement; Annex 3. Comments and Recommendations Offered by Participants of Roundtable Meetings in 2011	16-19, 95-98	+	
ASPECT: ECONOMIC PERFORMANCE								
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	EC1	SE13		1.2, 1.3 1.4 1.5 1.6 1.7	Annex 2. Key Sustainability Performance Indicators	92	+	
Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2				Rosneft's Activities in its Regions of Operation; Environmental Performance – Emissions into Air	58, 61 25-26	±	The Company has not yet assessed the implications of climate change for its activities. The Company plans to carry out such an assessment and present the results by 2015. Preliminary considerations point to risks associated with changes in precipitation regimes and opportunities associated with the melting of Arctic ice.
Coverage of the organization's defined benefit plan obligations	EC3			1.8	Employees – Corporate Pension Program and Care for Veterans	38-39	+	Neftegarant Non-State Pension Fund Actuarial Assessment Report, 2010.
Significant financial assistance received from government	EC4						+	Income tax reliefs: Consolidated financial statements as of December 31, 2011, p. 36 The effect of preferential mineral extraction tax rates: Rosneft Annual Report 2011 (Key Macroeconomic Factors), pp. 63-64
ASPECT: MARKET PRESENCE								
Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EC5		Principle 1		Company Performance – Employees	40-41	+	

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Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC6	SE7					+	Rosneft selects its suppliers and contractors on the basis of tenders. Ceteris paribus, the preference is given to Russian suppliers. Equipment by foreign manufacturers can be procured only in case when economic benefits from the use of such equipment substantially exceed those of using Russian analogs, or no Russian analogs are available; any such decision requires a formal substantiation. In order to further reduce procurement of imported equipment, the Company makes a lot of efforts to study new products offered by Russian manufacturers, test them, and adopt them for production use. In 2011, the share of imported goods in the Company's total procurement was 8.3%.
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	EC7	SE6	Principle 6				+	Sustainability Report 2009 (Profile of the Company's Workforce) In 2011, the approaches to local hiring did not undergo significant changes; the share of senior managers hired from local community (according to permanent residence registration) was 80%.
ASPECT: INDIRECT ECONOMIC IMPACTS								
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC8				Company Performance – Society;	44-47, 50-51, 67, 70, 78-81, 85	+	
Understanding and describing significant indirect economic impacts, including the extent of impacts	EC9				Company's Activities in its Regions of Operation	5, 50-85	+	
Volume and type of estimated proved reserves and production	OG1				A Message from Chairman of the Board of Directors of OJSC Rosneft Oil Company;	92	+	
Environmental Performance Indicators								
Management Approach				1.1	Company Performance – Environmental Performance	24-28	+	More detailed information is available in Rosneft Sustainability Reports 2009 and 2010.
Environmental Management System					Company Performance – Environmental Performance	27	+	More detailed information is available in Rosneft Sustainability Reports 2009 and 2010.
ASPECT: MATERIALS								
Materials used by weight or volume	EN1				Annex 2. Key Sustainability Performance Indicators	92	+	In addition to the production and processing of oil and gas, the Company uses significant amounts of materials for well drilling and completion. The amount of materials procured in 2011 was: <ul style="list-style-type: none"> • casing pipes – 188,997 tonnes • cement – 167,108 tonnes • barite – 8,694 tonnes • bentonite – 3 566 tonnes

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Percentage of materials used that are recycled input materials	EN2	E10		2.1			+	Oil-containing waste recycled into marketable products by the Company represents an insignificant portion of materials used.
ASPECT: ENERGY								
Direct energy consumption by primary energy source	EN3	E2		2.2	Company Performance – Environmental Performance – Energy Efficiency	28	±	Company's subsidiaries use different types of fuel, primarily natural gas, associated petroleum gas, oil, diesel fuel, and fuel oil. Due to the scale of the Company's activities and diversity of fuel used, it is impossible to present a breakdown of direct energy consumption by primary source.
Indirect energy consumption by primary energy source	EN4		Principles 8, 9		Company Performance – Environmental Performance – Energy Efficiency	28	±	Due to insufficient information about the sources of the energy consumed, the Company is presently unable to identify primary energy sources. An estimate of primary energy consumption was made on the basis of the National Energy Mix 2009.
Energy saved due to conservation and efficiency improvements	EN5				Company Performance – Environmental Performance – Energy Efficiency	28	+	
Initiatives to reduce indirect energy consumption and reductions achieved	EN7						+	Initiatives involving APG recovery and its use for energy production lead to a reduction of indirect energy consumption.
ASPECT: WATER								
Total water withdrawal by source	EN8	E6	Principle 8	2.3	Company Performance – Environmental Performance – Water Consumption and Wastewater Discharge, Quantitative Environmental Performance Indicators in 2011	27, 30	+	Groundwater sources account for some 41% of the total water withdrawal by the Company, surface water bodies – 31%, water provided by other organizations (usually municipal companies) – 28%. The total annual water withdrawal by the Company in 2011 was around 398 mcm.
Percentage and total volume of water recycled and reused	EN10		Principles 8, 9	2.4	Quantitative Environmental Performance Indicators in 2011	31	+	In 2011, the percentage of water recycled and reused amounts to some 79%.
ASPECT: BIODIVERSITY								
Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EN11	E5	Principle 8				+	The Company carries out its operations in liman and reed-swamp wetlands at the Sea of Azov, on the shelf of the Sea of Okhotsk, in the Ob River basin, in the Tundra zone of Timan-Pechora and Krasnoyarsk Territory, within or close to protected areas in Samara Region and Krasnodar Territory. So far, the Company has not consolidated data on the areas of high biodiversity value affected by its activities; it plans to do so by 2015.
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EN12				Company Performance – Environmental Performance – Biodiversity Conservation and Restoration of Damaged Ecosystems	28	+	The Company did not find evidence of significant impacts of its activities on biodiversity in protected and sensitive areas.
Habitats protected or restored	EN13				Rosneft's Activities in its Regions of Operation – The Company in the Northwestern Federal District	59	+	

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Strategies, current actions, and future plans for managing impacts on biodiversity	EN14				Company Performance – Environmental Performance – Biodiversity Conservation and Restoration of Damaged Ecosystems	28	+	
ASPECT: EMISSIONS, EFFLUENTS, AND WASTE								
Total direct and indirect greenhouse gas emissions by weight	EN16	E1	Principle 8	2.1	Company Performance – Environmental Performance – Emissions into Air	26	+	
Other relevant indirect greenhouse gas emissions by weight	EN17				Company Performance – Environmental Performance – Emissions into Air	26	+	
Initiatives to reduce greenhouse gas emissions and reductions achieved	EN18		Principles 8, 9		Company Performance – Environmental Performance – Emissions into Air	25	±	It is planned to disclose information on achieved reductions of greenhouse gas emissions in 2013, based on the results of the monitoring of the respective projects.
Emissions of ozone-depleting substances by weight	EN19						+	The Company does not use ozone-depleting substances on an industrial scale.
NO _x , SO _x , and other significant air emissions by type and weight	EN20	E7	Principle 8	2.6	Company Performance – Environmental Performance – Quantitative Environmental Performance Indicators in 2011	29-30	+	
Flared gas	OG6	E4			Company Performance – Environmental Performance – Quantitative Environmental Performance Indicators in 2011;	29, 92	+	
Total water discharge by quality and destination	EN21	E9	Principle 8	2.7 2.7.2	Annex 2. Key Sustainability Performance Indicators	30	±	Due to the scale of the Company's operations, it is impossible to provide information on water discharges by destination.
Total weight of waste by type and disposal method	EN22	E10	Principle 8	2.8	Company Performance – Environmental Performance – Quantitative Environmental Performance Indicators in 2011	31	+	
Total number and volume of significant spills	EN23	E8	Principle 8	2.9	Company Performance – Industrial Safety and Occupational Health – Quantitative Performance Indicators in the Field of Industrial Safety and Occupational Health in 2011	35	+	

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
ASPECT: PRODUCTS AND SERVICES								
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EN26	HS4		2.11			±	As in the previous reporting period, the Company carried out modernization projects at its refineries to make them capable of producing gasoline and diesel fuel compliant with the Euro family of standards. The Company did not carry out an assessment of impact reduction resulting from switching to the production of more environmentally safe fuel. In addition, in the process of defining report content this issue has not been found material.
Percentage of products sold and their packaging materials that are reclaimed by category	EN27						–	The indicator is not material to the Company, given the nature of its business (only insignificant portion of output has potentially recyclable packaging). In addition, in the process of defining report content this issue has not been found material.
ASPECT: COMPLIANCE								
Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	EN28		Principle 8	2.10	Annex 2. Key Sustainability Performance Indicators	93	+	Administrative fines were imposed on a number of oil production subsidiaries of the Company for environmental damage or failure to comply with environmental requirements. Most of those cases were associated with oil spills related to pipeline transport. Sizes of individual fines are insignificant. In addition, in several regions lawsuits to compel the Company to remediate lands disturbed as a result of earlier oil field development were initiated. As a rule, the Company carries out necessary land remediation activities in a timely manner; in case of disputed liability, it conducts full remediation.
ASPECT: OVERALL								
Total environmental protection expenditures and investments by type	EN30		Principles 7-9	2.12	Annex 2. Key Sustainability Performance Indicators	93	+	
Labor Practices and Decent Work Performance Indicators								
Management approach				1.1	Company Performance – Employees	36-38	+	
Expenditures on occupational health and safety				3.1.9	Company Performance – Industrial Safety and Occupational Health;	33, 93	+	
ASPECT: EMPLOYMENT								
Total workforce by employment type, employment contract, and region	LAI	SE15		3.1.1	Company Performance – Employees – Quantitative Performance Indicators in the Field of HR Management in 2011; Company's Activities in its Regions of Operation; Annex 2. Key Sustainability Performance Indicators	39, 52, 56, 60, 64, 68, 72, 76, 82, 93	+	Almost all Company personnel (more than 99%) are employed under a permanent job contract. The absolute majority of employees work in the Russian Federation.

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Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Total number and rate of employee turnover by age group, gender, and region	LA2		Principle 6	3.1.2 3.1.3	Annex 2. Key Sustainability Performance Indicators	93	±	Presently the Company does not collect information on employee turnover by age and gender. It is planned to start collecting such information by 2015.
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	LA3						+	Almost all Company personnel are full-time employees.
ASPECT: LABOR/MANAGEMENT RELATIONS								
Percentage of employees covered by collective bargaining agreements	LA4			3.1.4			+	As of the end of 2011, 80% of employees of the Company's subsidiaries included in the centralized business planning boundary were covered by collective agreements.
Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	LA5		Principle 3				+	As required by the RF Labor Code (at least two months).
ASPECT: OCCUPATIONAL HEALTH AND SAFETY								
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	LA7	HS2 HS3		3.1.5 3.1.6 3.1.7 3.1.8	Company Performance – Industrial Safety and Occupational Health – Quantitative Performance Indicators in the Field of Industrial Safety and Occupational Health in 2011	35	+	In 2011, the lost day rate was 1.91 (37% less than in 2010), the occupational disease rate — 0.25 per one million hours worked. The average number of days away from work was about 8.6 days per employee, or 14% less than in 2010 (at the subsidiaries included in the centralized business planning boundary).
Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	LA8						+	Sustainability Report 2009 (Creating Conditions for Effective Work, p. 105)
Workforce participation in health and safety dialogues		HS1					+	Sustainability Report 2009 (Stakeholder Engagement – Employees, p. 40)
Process safety	OG13	HS5			Company Performance – Industrial Safety and Occupational Health	32-35	±	
ASPECT: TRAINING AND EDUCATION								
Average hours of training per year per employee by employee category	LA10	SE17		3.1.10	Company Performance – Employees – Quantitative Performance Indicators in the Field of HR Management in 2011	37	+	The Report provides data on the number of employees who received training in the reporting period. The Company does not collect data on hours of training per year per employee, but plans to begin collecting such data since 2015.
Percentage of employees receiving regular performance and career development reviews	LA12	SE17			Company Performance – Employees	37-38	±	
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY								
Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	LA13	SE15	Principle 1, 6	3.1.12	Annex 2. Key Sustainability Performance Indicators	93	+	At the end of 2011, 100% of members of Rosneft's Board of Directors were men; the percentage of women among senior managers was 16%, of men – 84%.
Ratio of basic salary of men to women by employee category	LA14		Principle 1, 6				+	There is no difference between basic salaries of men and women for all employee categories.

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Human Rights Performance Indicators								
Management approach							+	Rosneft Sustainability Report 2009 (Company's Impact on the Stakeholders, pp. 16-17, Stakeholder Engagement – Employees, p. 40)
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES								
Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	HR1	SE8	Principle 1-6				-	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to the nature of the Company's activities and the existing Russian legislation, there is no significant risk of human rights violation within the framework of investment agreements. In addition, in the process of defining report content this issue has not been found material.
Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	HR2	SE9	Principle 1-6				-	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to the nature of the Company's activities and the existing Russian legislation, there is no significant risk of human rights violation by suppliers and contractors. In addition, in the process of defining report content this issue has not been found material.
ASPECT: NON-DISCRIMINATION								
Total number of incidents of discrimination and actions taken	HR4	SE18	Principle 1, 2, 6	3.2.2			+	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. In 2011, no incidents involving human rights violation and/or employee discrimination took place at the Company.
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING								
Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	HR5	SE8	Principle 1, 2, 3				+	In its activities, the Company adheres to the legal requirements with regard to freedom of association and collective bargaining.
Labor disputes		SOC-6		3.2.1			+	In its activities, the Company adheres to the requirements of the labor legislation. The Company seeks to resolve all labor disputes by means of negotiations.
ASPECT: CHILD LABOR								
Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	HR6		Principle 1, 2, 5				+	The Company does not carry out any activities associated with the risk of child labor.
ASPECT: FORCED AND COMPULSORY LABOR								
Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	HR7		Principle 1, 2, 4				+	The Company does not carry out any activities associated with the risk of forced or compulsory labor.

Disclosure (indicator) definition	GRI disclosure or indicator	IPEECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
ASPECT: SECURITY PRACTICES								
Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	HR8	SE10					-	The Company does not maintain statistics on this indicator. In addition, in the process of defining report content this issue has not been found material.
ASPECT: INDIGENOUS RIGHTS								
Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	SE2	Principle 1, 2	3.2.3			+	Additional information about engagement with indigenous communities is available in Sustainability Report 2010, pp. 75-78. In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. In 2011, there were no incidents involving violation of rights of indigenous peoples by the Company.
Society Performance Indicators								
Management approach					Company Performance – Society; Company's Activities in its Regions of Operation	44-45, 50-51	+	
ASPECT: COMMUNITY								
Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	SO1	SE1		3.3.3	Company's Activities in its Regions of Operation	50-85	+	The Company carries out procedures to assess and manage its impacts on communities in the key regions of operation, in particular, when planning new projects. Such procedures cover most of the Company's activities.
Collaboration with authorities in addressing socially significant objectives					Company's Activities in its Regions of Operation – Dialog with the community	50-51	+	
Social investment		SE4			Company Performance – Society	46-47	+	
ASPECT: CORRUPTION								
Percentage and total number of business units analyzed for risks related to corruption	SO2	SE11, SE12					-	Preventing corruption is one of the components of the Code of Business Ethics adopted by the Company. The Company drafted the Policy for Preventing Involvement in Corruption and the Policy for Counteracting Corporate Fraud. It is planned to approve these documents in 2012.
Percentage of employees trained in organization's anti-corruption policies and procedures	SO3	SE11					+	Due to the lack of formal corporate anti-corruption procedures, no training in anti-corruption policies and procedures was carried out in 2011. In 2012, it is planned to conduct a training in the Company's corruption and fraud prevention policies for relevant specialists.
Actions taken in response to incidents of corruption	SO4						-	Corporate departments with responsibilities in the field of preventing corruption include, among others, the Control and Audit Department, the Economic Security Department, and the Internal Audit Department. Information about identified incidents of corruption and actions taken in response is confidential to the Company.

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ASPECT: PUBLIC POLICY								
Public policy positions and participation in public policy development and lobbying	SO5	SE14		3.3.4			+	<p>Annual Report 2011 (Annex 3. Main Risk Factors with regard to legal risks)</p> <p>In 2011, as a result of the Company's active participation in the improvement of the Russian legislation and regulations, the following decisions were made by the authorities:</p> <ul style="list-style-type: none"> floating and submersible drilling platforms were relieved of customs duties for one year, which, according to estimates, will allow the Company to save USD 750 million by 2015; it was permitted to carry out geological exploration and development of hydrocarbon resources in protective forests; it was allowed to use the thermal power plant of the Tuapse Refinery for power supply to the Sochi area only in case of an emergency.
ASPECT: ANTI-COMPETITIVE BEHAVIOR								
Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	SO7						+	<p>In 2011, antimonopoly authorities initiated a number of cases against the Company and its subsidiaries for:</p> <ul style="list-style-type: none"> abuse of market dominance – 29 cases, of which in 13 cases fines were imposed (3 rulings to impose a fine were reversed by a court), 6 cases are pending, and 5 cases were dismissed; price collusion – 16 cases, of which in 10 cases fines were imposed, and 5 cases were dismissed; failure to provide information to an antimonopoly body, or failure to comply with an order within the established timeframe – one case, which was dismissed.
ASPECT: COMPLIANCE								
Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	SO8						+	<p>In 2011, significant fines were imposed on the Company and LLC RN-Trading for violations of the antimonopoly legislation. The total size of the fines was RUB 1.76 billion (for cases in which either the Company chose not to appeal the ruling, or the ruling was upheld by an appeals court by the publication date of this Report). Furthermore, the resolution of the Federal Antimonopoly Service dated December 24, 2008, entered into force in 2011; to comply, the Company paid a fine of RUB 1.5 billion in 2011.</p>

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/ API indicator	UN Global Compact Principle	Basic performance indicator (RUIE)	Report section	Report page(s)	Disclosure status	Comments and references to other sources
Product Responsibility Performance Indicators								
Management approach					Company Performance – Stakeholder Engagement	18	+	
ASPECT: CUSTOMER HEALTH AND SAFETY								
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	PR1	HS4					+	There are special regulatory requirements regarding the safety of petroleum products, and the Company considers these requirements in designing its products.
ASPECT: PRODUCT AND SERVICE LABELING								
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	PR3	HS4		3.4.1			+	The Company provides information regarding compliance of its petroleum products with safety standards and safe handling of the products in accordance with the respective legislation.
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR5				Company Performance – Stakeholder Engagement	18	+	
ASPECT: MARKETING COMMUNICATIONS								
Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	PR6						–	Marketing communications have not been identified as a material topic in the process of defining report content.
ASPECT: COMPLIANCE								
Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	PR9						+	No significant fines for noncompliance with laws and regulations concerning the provision and use of products and services were imposed on the Company in 2011.

Disclosure status of GRI indicators

- + Fully disclosed in the Report.
- ± Partially disclosed in the Report.
- Not disclosed in the Report.

		C	C+	B	B+	A	A+
Mandatory	Self Declared						+
Optional	Third Party Checked						+
	GRI Checked						

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FEEDBACK

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