

# APPROACH TO SUSTAINABLE

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*Like other major Russian companies, Zarubezhneft takes a responsible approach to managing key aspects of sustainable development (ESG principles), including caring for society, staff development, compliance with legal requirements and ethical standards, ensuring occupational and industrial safety, communication with stakeholders, reducing the negative impact on the environment, the careful use of heat and electricity, and the development of innovative technologies, as a key to the success of the Company's economic development.*

## ESG model

### Environmental

- ▶ Climate change, GHG emissions and assessment of physical and transient risks
- ▶ Circular thinking, energy, water, waste, and emissions
- ▶ Land pollution
- ▶ Closure of facilities and remediation
- ▶ Energy consumption and energy efficiency
- ▶ Biodiversity

It is safe to say that over the past year there has been a significant shift towards achieving the sustainable development goals. Not only are the methodological postulates recorded on paper, but we have begun to link them to actual action and have understood how this should work, but the main work on shaping a corporate strategy for sustainable development has to start in 2021:

*The Company is fully aware of its responsibility to the state and society and is actively building a system of social and environmental management, while remaining focused on the best Russian and international practices.*

## Social

- ▶ Health and safety
- ▶ Human capital assets
- ▶ Employee well-being
- ▶ Human rights
- ▶ Child and forced labor
- ▶ Inclusivity
- ▶ Contractors and the supply chain
- ▶ Impacting, benefiting, and interacting with local communities

## Governance

- ▶ Risk assessment and strategy
- ▶ Interaction with stakeholders
- ▶ Compliance with the law
- ▶ Code of conduct
- ▶ Transparency
- ▶ Taxes
- ▶ Responsibility and obligations of senior management
- ▶ Cybersecurity

- ▶ Innovation
- ▶ Risk management
- ▶ Expansion

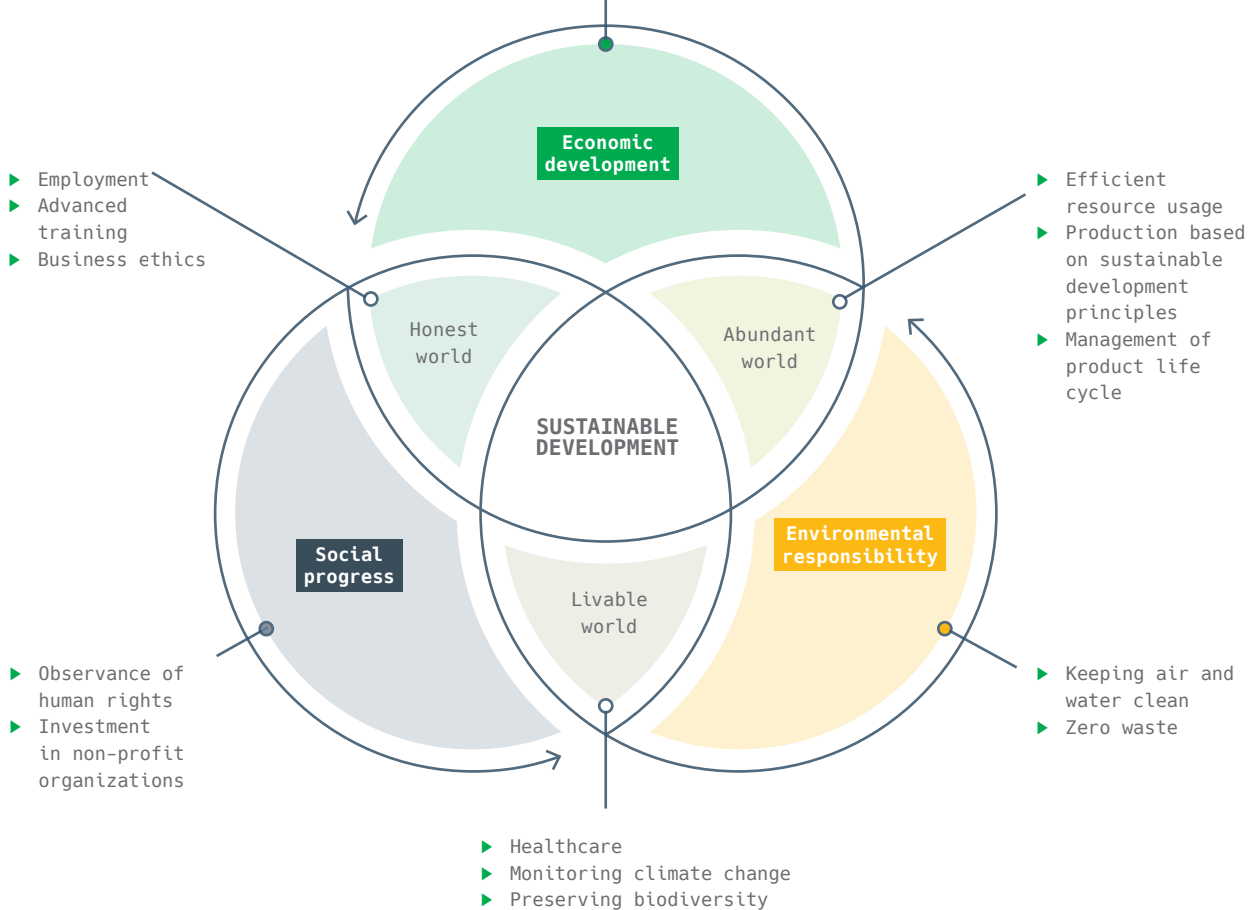
- ▶ Employment
- ▶ Advanced training
- ▶ Business ethics

- ▶ Efficient resource usage
- ▶ Production based on sustainable development principles
- ▶ Management of product life cycle

- ▶ Observance of human rights
- ▶ Investment in non-profit organizations

- ▶ Keeping air and water clean
- ▶ Zero waste









- ▶ Healthcare
- ▶ Monitoring climate change
- ▶ Preserving biodiversity



In its work, Zarubezhneft is guided by indicators that form the basis of the ESG-indices of the Russian Union of Industrialists and Entrepreneurs. All 17 UN Sustainable

Development Goals are reflected in the Company's strategic focuses: 'Expansion', 'Technological Leadership', 'Corporate Evolution', and 'Talent Management'.

Goal	Description	Examples of activities
	End poverty in all its forms everywhere	Ensuring competitive wages and social support for employees. The Company contributes to the improvement of the social environment in the regions where it operates by creating new jobs and partner programs.
	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	Conclusion of agreements with the administrations in the areas of operation and support for the indigenous minorities of the Far North. Achieving targeted social investment in the countries where the Company has a presence.
	Ensure healthy lives and promote well-being for all at all ages	The Company pays special attention to protecting health, creating comfortable working conditions, supporting and promoting a healthy lifestyle, improving the housing conditions and quality of life of its employees and their families, and providing material support to veterans and pensioners.
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Corporate educational programs, talent management, mentoring programs for young professionals, and internships for students.
	Achieve gender equality and empower all women and girls	Ensuring equal remuneration for men and women in positions with the same skill requirements.
	Ensure availability and sustainable management of water and sanitation for all	Ensuring the sustainable supply of high-quality water to industrial and other facilities as well as effective water disposal.
	Ensure access to affordable, reliable, sustainable, and modern energy for all	Implementation of renewable energy projects, a gas program, and energy efficiency improvement in all areas of the Company's activities.
	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	Growth in the Company's economic efficiency indicators and their presence in the KPIs of senior management. Promoting the sustainable development of the national economy and its diversification.
	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Innovative development program, R&D funding as well as support for and the development of research institutes within the Company.

Goal	Description	Examples of activities
	Reduce inequality within and among countries	There are no cases of discrimination at the Company, violations of rights, or conflicts with the local population.
	Make cities and human settlements inclusive, safe, resilient, and sustainable	Implementation of charitable projects. Payment of taxes. Agreements on cooperation with the administrations in the regions of operation.
	Ensure sustainable consumption and production patterns	Conducting an impact assessment before the start of operations and monitoring environmental parameters and recovery measures after the completion of the work. Participation in the WWF environmental openness rating.
	Take urgent action to combat climate change and its impacts	Gas Program for 2020–2024, development of renewable energy sources, and a program to upgrade infrastructure facilities.
	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	Implementation of projects in Vietnam to preserve the marine ecosystem. Participation in the 'Clean Shores' volunteer project.
	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss	Implementation of projects to preserve biodiversity in the regions of operation. Environmental impact assessment and monitoring of environmental parameters and recovery measures after the completion of work.
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	The Company participates in law-making, including the Scientific and Technical Council of the Ministry of Natural Resources and the working groups of the Ministry of Energy and the Ministry of Natural Resources.
	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Activities as part of the Cooperation Agreement with the Ministry of Natural Resources and the Memorandum with the WWF.

ESG ratings will also be used to evaluate new assets starting from 2021. The ESG Principles Program was adopted in December 2020 as a result of the brainstorming session 'Selection of Change Projects for the Company's Strategic Focuses' as part

of the 'Expansion' focus. It is a comprehensive program that provides for a number of improvements in the environment, society, and corporate governance in all three areas of the ESG principles.

# Risk management system for sustainable development

The timely identification, analysis, and assessment of risks, along with taking effective measures to manage them, play a crucial role in the implementation of the Company's strategic goals and objectives.

Zarubezhneft adheres to a comprehensive approach and pays attention not only to strategic and financial risks, but also to environmental, social, and economic risks. The Company is aware that the risks of sustainable development have a direct impact on the Group's long-term financial performance and sustainability.

Zarubezhneft's activities involve risks to sustainable development. The protection of the environment and staff, occupational and industrial safety, interaction with the local population, infrastructure, and social issues in the regions of operation all have a direct impact on the long-term financial result and the sustainability of the Company as a whole.

As part of risk management projects in sustainable development, the Company carries out the following activities:

- ▶ Evaluation of the socioeconomic and environmental impacts of its activities in the regions of operation
- ▶ Analysis of the effectiveness of the existing management system for environmental and socioeconomic aspects of the Company's activities, including management action plans
- ▶ Assessment of compliance with regulatory requirements and the requirements of applicable international standards in order to avoid inconsistencies and ensure continuous improvement

- ▶ Performs accounting and plans measures to regulate greenhouse gas emissions
- ▶ Implements programs to improve energy efficiency
- ▶ Takes into account environmental risks when making investment decisions on new projects
- ▶ Takes into account the risk of climate change when designing and building facilities in the most vulnerable areas of the Far North
- ▶ Implements renewable energy projects
- ▶ Develops social support and biodiversity conservation programs in the regions of operation

The Company has regularly participated in the openness rating of Russian oil and gas companies for environmental responsibility since its inception in 2014. In 2020, Zarubezhneft finished first in the ranking by providing sufficient evidence of its leadership positions in environmental expertise and openness.

In 2021, the Company plans to develop and introduce a procedure to manage risks and opportunities related to climate change taking into account the results in its business strategy. As part of this work, proposals will be prepared for indicators that describe the degree to which the Company protects the population as well as natural, natural-artificial, and manmade objects against the adverse impacts of climate change.

In 2020, the Company continued to have zero tolerance for any irresponsible attitude to natural resources, as stipulated in the corporate policy on health, labor, environment, safety, and social responsibility.

## Significant sustainable development risks and response measures

The tightening of regulations due to climate change and its physical consequences can have a negative impact on operations in the form of increased costs and reduced efficiency.

As part of compliance with its principle of being an exemplary company with respect to the government, Zarubezhneft takes a responsible approach to its obligations and monitors the impact of climate on nature. In an effort to reduce risks associated with the global climate change processes, the Company takes the following measures: