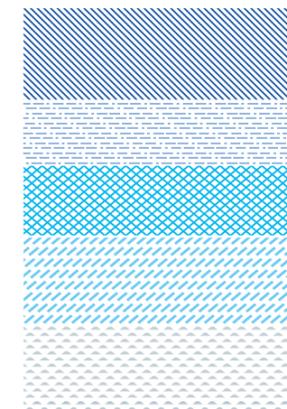
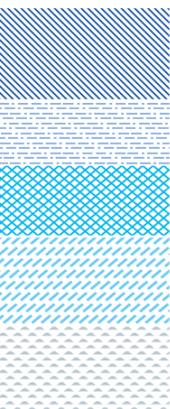




2019
ANNUAL REPORT

ANNUAL REPORT **2019**



CONTENTS

1	INTRODUCTION	3	10	FINANCIAL AND OPERATIONAL ACTIVITIES MANAGEMENT AND SUPERVISION BODIES	108
	<ul style="list-style-type: none"> • Message from chairman of the Board of Directors Alexander Medvedev • Message from General Director Vladimir Dmitruk 	4		<ul style="list-style-type: none"> • The structure of financial and operational activities management and supervision bodies 	109
2	KEY EVENTS OF 2019	5		<ul style="list-style-type: none"> • General Meeting of Shareholders 	110
3	KEY INDICATORS 2019	6		<ul style="list-style-type: none"> • Board of Directors 	110
4	POSITION IN THE INDUSTRY AND DEVELOPMENT PROSPECTS	10		<ul style="list-style-type: none"> • Technical committee 	114
5	NATURAL GAS EXPLORATION AND PRODUCTION	12		<ul style="list-style-type: none"> • Executive body 	116
	<ul style="list-style-type: none"> • Status of raw material base • Development of the Cenomanian and Turonian gas deposits • Exploration work • Production drilling • Natural gas production • Hard-to-recover reserves 	20		<ul style="list-style-type: none"> • Revision commission 	117
		21		<ul style="list-style-type: none"> • Information on the Company Auditor 	117
6	TECHNOLOGY AND INNOVATION	22	11	AUTHORIZED CAPITAL AND REPORT ON DIVIDENDS PAYMENT	118
	<ul style="list-style-type: none"> • Intellectual property • Innovation activities • Promotion of innovation activities 	24		<ul style="list-style-type: none"> • Authorized capital 	120
7	INVESTMENT ACTIVITIES	25		<ul style="list-style-type: none"> • Report on payment of declared (accrued) dividends on shares of the Company 	121
8	KEY FINANCIAL INDICATORS	26	12	RISK MANAGEMENT SYSTEM	122
	<ul style="list-style-type: none"> • Key financial indicators • Financial Performance Report Indicators • Cash flows for the reporting period • Key financial ratios 	30		<ul style="list-style-type: none"> • Industry risks 	124
9	SUSTAINABLE DEVELOPMENT	33		<ul style="list-style-type: none"> • Financial risks 	126
	<ul style="list-style-type: none"> • Prioritizing • Environmental protection • Energy consumption and energy saving • Personnel and production safety • Staff and Social Policy • Interaction with stakeholders 	34		<ul style="list-style-type: none"> • Legal risks 	126
		35	13	REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE	128
		40		<ul style="list-style-type: none"> • Ethics and integrity 	132
		50		<ul style="list-style-type: none"> • Registration information 	134
		51	14	CONCLUSION	136
		52		<ul style="list-style-type: none"> • Principles of report preparation 	137
		60		<ul style="list-style-type: none"> • Information disclosure 	139
		61		<ul style="list-style-type: none"> • Annex 1. The list of transactions effected by the Company in 2019 that are recognized as major transactions in accordance with the Federal Law on Joint-Stock Companies 	139
		64		<ul style="list-style-type: none"> • Annex 2. GRI content index 	141
		65		<ul style="list-style-type: none"> • Annex 3. Methodology for calculating material indicators of the Company operation in the field of sustainable development that received independent assurance 	152
		68		<ul style="list-style-type: none"> • Annex 4. Conclusion on the results of external assurance 	153
		74		<ul style="list-style-type: none"> • Feedback form 	155
		77			
		85			
		98			



Introduction



The presented Annual Report discloses information on the results of production and economic activities of the Open Joint Stock Company Severneftegazprom (hereinafter referred to as "OJSC Severneftegazprom," the "Company") for 2019, and the sustainable development priority areas ensuring the achievement of the strategic goals of the Company.

When compiling the Report, all relevant information for the intended users was taken into account. Data officially recognized by the Company and confirmed by internal documentation is disclosed. The information in this report is presented using comparable techniques applied in previous periods. The Annual Report mainly does not use professional vocabulary and does not provide data requiring special knowledge.

The results of the Company's activities in the field of sustainable development are disclosed in accordance

with the standards of the Global Reporting Initiative — GRI Standards. The Annual Report of the Company for 2019 corresponds to the Core option of the GRI Standards. The validity of the selected sustainable development indicators received assurance of the independent auditor LLC FBK.

The report contains estimates and forecasts of the authorized management bodies of the Company, concerning the results of its activities and future events and/or actions, including plans of the Company, the probability of certain events occurrence and certain actions performance.

Due to their specificity, forecast statements are associated with an inherent risk and uncertainty of both general and private nature. The Company draws attention to the fact that actual results may differ significantly from directly or indirectly expressed forecast statements.

The report is published on the official website of the Company and distributed by direct mail to stakeholders. It is important for the Company to know the opinions, comments and suggestions of all stakeholders on the Report improving. For these purposes, you can fill out the form annexed at the end of the Report.



Message from Chairman of the Board of Directors

THE PARTICIPATION OF WORLD ENERGY LEADERS IN THE ROADMAP OF THE RUSSIAN REGION IS A VIVID EXAMPLE OF THE IMPLEMENTATION OF A COHERENT POLICY IN PRACTICE AIMED AT STRENGTHENING AND EXPANDING MUTUALLY BENEFICIAL ALLIANCES. THIS IS AN EXAMPLE OF THE SUCCESSFUL IMPLEMENTATION OF MODERN AND FAIR PRINCIPLES OF INTERNATIONAL ECONOMIC COOPERATION.

Dear shareholders and colleagues!

The year 2019 was a period of stable development for OJSC Severneftegazprom. The company strengthened the position as one of the leaders in gas production, collection, and transportation, enhanced technological competencies, and increased the efficiency of production activities. The Company continued to implement the planned strategy aimed at qualitative changes, primarily due to the active introduction of new technologies. Over the past period, the authors of OJSC Severneftegazprom have been awarded a diploma of the Ministry of Energy "For Contribution to the Innovative Development of the Fuel and Energy Complex", N.K. Baibakov Award for Innovative Clean Technologies.

One of the main directions of the Company's technological development is the search for innovative methods of developing of the hard-to-recover reserves. The project on commissioning the first start-up complex on the Turonian gas deposit of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field was successfully completed, which will allow maintaining the level of natural gas production in the values specified by the regulatory documents in the coming years.

Undoubtedly, the development of the Yuzhno-Russkoye Field plays a huge role in the development of the territories where the Company operates and in improving the quality of life. Our European partners and Company Shareholders — Wintershall

Dea GmbH and OMV Exploration and Production GmbH — make a significant contribution to this great business. The scale of our Company's activities tends to sustainable growth, which in parallel leads to an increase in the level of responsibility for creating safe conditions for employees, partners, and the population of the regions where the Company operates, and a reduction in the adverse impact on the environment. In 2019, the Company, represented by its General Director, was awarded the medal "For the Preservation of the Arctic". The award is granted for the implementation of new technologies contributing to the development of the Arctic territories of the Yamal-Nenets Autonomous District and is a recognition of a significant contribution to the development of the District as a whole.

Now we are moving to a new stage of development. The strategy for the coming years has been approved, new key guidelines have been set. Improving the efficiency of existing assets, implementing significant projects on time and within the budget, updating the management model will allow us to implement the new technologies successfully and graduate the Company to a higher level, taking into account the challenges of the digital era.

Sincerely,
Alexander Medvedev

Chairman of the Board of Directors of OJSC Severneftegazprom



Message from General Director

GUIDED BY THE PRINCIPLES OF HIGH CORPORATE RESPONSIBILITY, OJSC SEVERNEFTEGAZPROM MAKES A LARGE-SCALE CONTRIBUTION TO ENSURING FAVORABLE LIVING CONDITIONS IN THE TERRITORIES WHERE IT OPERATES, IN SUPPORT OF HEALTHCARE, SCIENCE, EDUCATION, CULTURE, AND SPORTS FOR REPRESENTATIVES OF THE INDIGENOUS PEOPLES OF THE NORTH.

Dear colleagues, shareholders, partners!

In 2019, our priority tasks were strengthening the resource and technological base, developing innovative forms of management and organizing production processes, and ensuring the financial stability of the Company. In the reporting year, OJSC Severneftegazprom reached a new level of performance, while maintaining a high degree of investment attractiveness. The company seeks to maximize the existing potential of gas deposits, the accumulated experience, and competencies to strengthen its position in the energy market.

The Company's strategy is based on the principles of innovative development, providing a reliable technological base, and integrating digital solutions in management and production. The company makes significant investments in its technological solutions and equipment development. When implementing capital-intensive projects, we follow our key priority, i.e., ensuring a high level of labor protection, industrial safety, and environmental protection. The result of consistent actions in this area is the reduction of the industrial load on the natural environment.

We are aware that the long-term sustainable growth of the Company is based on the development of human resources. Staff development programs, advanced training, decent remuneration, and social guarantees for employees form

a close-knit team of committed professionals. 2019 was a landmark year for our Company. This is the year of the 50th anniversary of the discovery of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. The potential and new opportunities accumulated by the Company team is a reliable foundation for the confident development of OJSC Severneftegazprom in the long term. We are entering the year 2020 with clear goals, which achievement will be ensured by the investment program, relevant resources, and professionalism of the team. I express my gratitude to our shareholders for their trust and cooperation, to the employees of OJSC Severneftegazprom for their dedication and trouble-free operation. I am convinced that together we will maintain a high pace of development and continue the confident movement towards achieving our goals.

Sincerely,
Vladimir Dmitruk

General Director of OJSC Severneftegazprom



Key Events of 2019



JANUARY

Within the framework of the working meeting between Alexey Miller, Chairman of the Management Committee of PJSC Gazprom and Rainer Seele, Chairman of the Management Committee of OMV AG, key issues of cooperation were considered.

A meeting of the Youth Council of OJSC Severneftegazprom was held, at which the work plan for 2019 was approved.



FEBRUARY

OJSC Severneftegazprom, the administration of Novy Urengoy, signed cooperation agreements for 2019.

OJSC Severneftegazprom summed up the results of the integrated management system in the field of quality assurance, environmental protection, occupational health, safety, and energy management for 2018.

OJSC Severneftegazprom, the administration of Purovsky District Municipality, signed cooperation agreements for 2019.

OJSC Severneftegazprom representatives took part in the regular meeting of the International Business Congress.



MARCH

OJSC Severneftegazprom summed up the contest "Innovative Projects of Students and Graduate Students of Russian Technical Universities"

OJSC Severneftegazprom took part in the annual Yamal Oil and Gas Forum.

OJSC Severneftegazprom took part in the celebration of the Day of the reindeer herder in Tolka, Krasnoselkup District.



APRIL

As part of the practical training, students of PVEI Polytechnic College Novy Urengoy visited the facilities of OJSC Severneftegazprom, including the first organized tour of the newly created educational and information classes in the history of the enterprise.

An in presentia meeting of the Board of Directors of OJSC Severneftegazprom was held in Saint Petersburg.

The team of OJSC Severneftegazprom SNGP-Sever became the silver medalist of the X Open Mini Football Championship of Novy Urengoy 2018-2019 season.



MAY

The grand opening of the OJSC Severneftegazprom Spartakiad, dedicated to the 50th anniversary of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field, took place.

OJSC Severneftegazprom took part in celebrations dedicated to the 74th anniversary of the Victory in the Great Patriotic War.

Young specialists of OJSC Severneftegazprom took part in the International Youth Conference "Oil and Gas — 2019".

OJSC Severneftegazprom summed up the professional skill contest for the title "Best in Profession" among electric and gas welders.



JUNE

The General Director of OJSC Severneftegazprom was solemnly awarded the medal "For the Preservation of the Arctic" for the introduction of new technologies contributing to the development of the Arctic territories of the Yamal-Nenets Autonomous District.

The Annual General Meeting of Shareholders of OJSC Severneftegazprom was held; at the meeting, members of the Board of Directors and the Revision Commission were elected, and other issues were considered.

OJSC Severneftegazprom was awarded a diploma of the laureate of the International Competition of Scientific, Technical, and Innovative Developments aimed at the development of the fuel and energy and mining sectors of 2019.

On the eve of the Day of Inventor and Rationalizer, OJSC Severneftegazprom summed up the contest "Best Rationalizer and Inventor in 2019".



JULY

Representatives of the Youth Council of OJSC Severneftegazprom took 2nd place in the Open Tourism Festival "Tourfest ZPKT-2019"

OJSC Severneftegazprom took part in the celebration of Fisherman's Day in Krasnoselkup.



AUGUST

OJSC Severneftegazprom summed up the professional skill contest, the best locksmith in instrumentation and automation was determined.

Wells construction of the First start-up complex of the Turonian Gas Deposit was completed.

OJSC Severneftegazprom representatives took part in the IX scientific and practical conference of young employees of the Company: Pipeline 2019 Initiative. Development. Potential.

As part of the grand closing of the summer labor session in 2019, the Head of Novy Urengoy thanked OJSC Severneftegazprom for the assistance in employing minors during the holidays.



Key Events 2019



SEPTEMBER

OJSC Severneftegazprom was awarded the 2nd place in the nomination "The Best Employer for Employing Persons with Disabilities in the Yamal-Nenets Autonomous District".

An Extraordinary General Meeting of Shareholders of OJSC Severneftegazprom was held, at which the composition of the Board of Directors and the Revision Commission was reelected.

OJSC Severneftegazprom representatives were awarded the honorary title of Laureates of the N.K. Baibakov Award.

A paintball tournament was held among subsidiaries of PJSC Gazprom of Western Siberia, dedicated to the 50th anniversary of the discovery of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

OJSC Severneftegazprom took part in events dedicated to the 75th anniversary of the founding of the Krasnoselkup District and the 90th anniversary of the foundation of village Tolka.



OCTOBER

OJSC Severneftegazprom took part in a working meeting of members of the Bundestag of the Federal Republic of Germany with deputies of the Legislative Assembly of the Yamal-Nenets Autonomous District.

OJSC Severneftegazprom took part in the IX Saint Petersburg International Gas Forum.

OJSC Severneftegazprom produced the first billion cubic meters of natural gas from the Turonian gas deposit in the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

OJSC Severneftegazprom won the annual competition in the field of innovation and inventive activities following the results of 2019, held among subsidiaries and organizations of PJSC Gazprom.

OJSC Severneftegazprom took part in the International Conference of the Society of Engineers of Oil and Gas Industry SPE in Russia and the Caspian Region, Moscow.



NOVEMBER

OJSC Severneftegazprom celebrated one of the main events of 2019 — the 50th anniversary of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

OJSC Severneftegazprom successfully completed a certification audit of the industrial safety management system for compliance with the requirements of international standard ISO 45001:2018 and a supervision audit of the integrated management system in the field of quality assurance, environmental protection, and energy management.



DECEMBER

OJSC Severneftegazprom Youth Council organized and held an internal scientific and practical conference of young scientists and specialists dedicated to the 50th anniversary of the discovery of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

The Government of Yamal-Nenets Autonomous District and OJSC Severneftegazprom signed a cooperation agreement for 2020.

OJSC Severneftegazprom, the Administration of the Krasnoselkup District Municipal Formation, and the Yamal-to-Descendants Association of Indigenous Minorities of the North of Yamal-Nenets Autonomous District concluded an annual tripartite cooperation agreement for 2020.

OJSC Severneftegazprom summed up the professional skill contest for the title "Best in Profession" among electricians.

OJSC Severneftegazprom and the labor collective have concluded an agreement that will govern the relationship between the company and the staff in 2020–2021.



KEY INDICATORS
2019GAS SALES, MLN M³

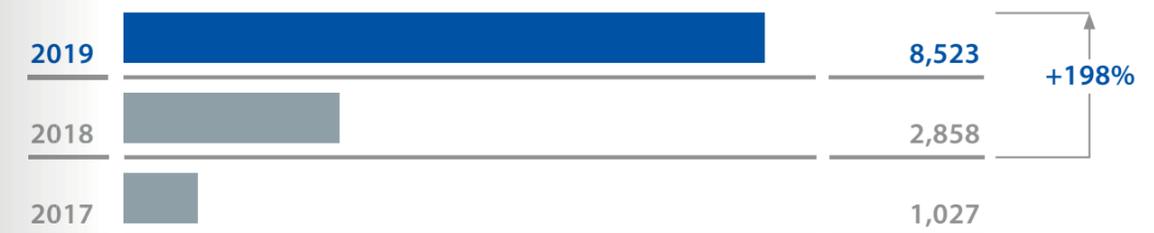
COST, MLN RUBLES



REVENUE FROM SALES, MLN RUBLES



CAPITAL INVESTMENT, MLN RUBLES





POSITION IN THE INDUSTRY AND DEVELOPMENT PROSPECTS

OJSC SEVERNEFTEGAZPROM IS ONE OF THE MAIN PRODUCING COMPANIES OF THE GAZPROM GROUP.

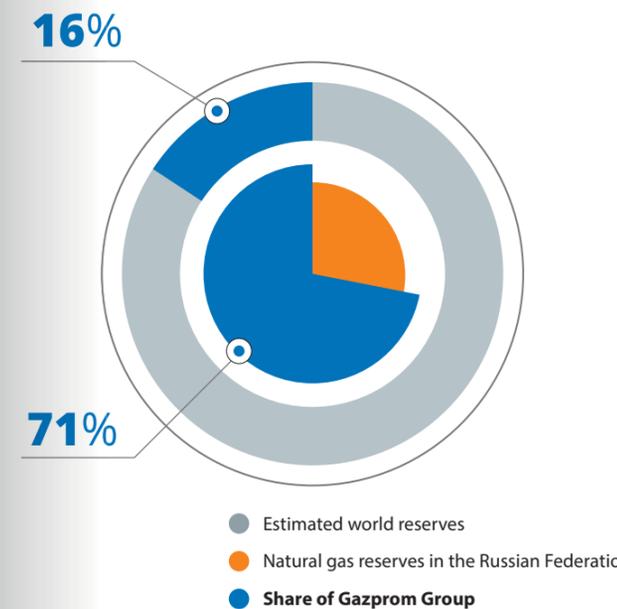
THE KEY PROJECT OF THE COMPANY IS THE DEVELOPMENT AND MANAGEMENT OF THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD, WHICH IS ONE OF THE LARGEST OIL AND GAS CONDENSATE FIELDS IN RUSSIA.

THE GAS FIELD FACILITIES OF THE YUZHNO-RUSSKOYE FIELD ARE ONE OF THE MOST ADVANCED AND TECHNICALLY EQUIPPED IN RUSSIA TODAY — COMBINING WESTERN AND DOMESTIC TECHNOLOGIES, COMPLEMENTED BY RUSSIAN EXPERIENCE IN HARSH CLIMATIC CONDITIONS.

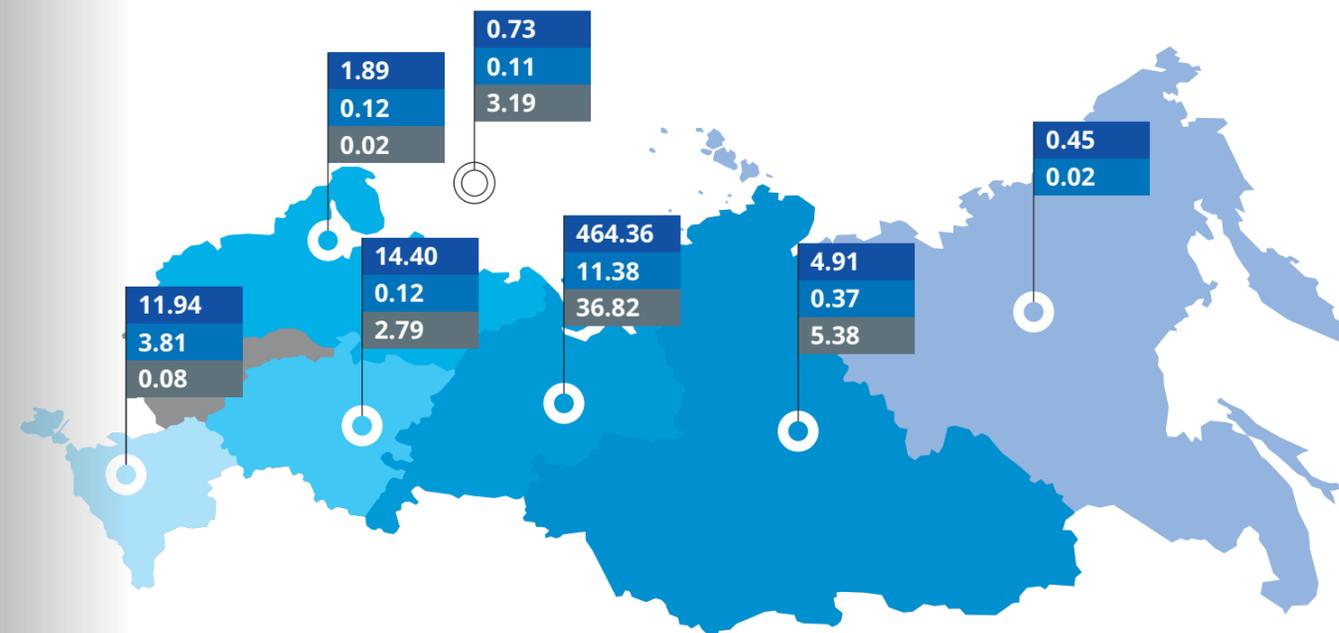
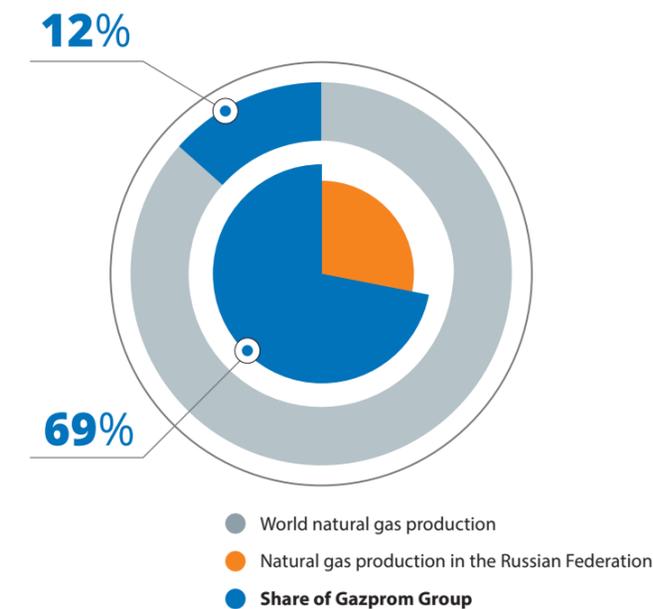


4

GAZPROM GROUP NATURAL GAS RESERVES*



GAZPROM GROUP NATURAL GAS PRODUCTION*



TOTAL*:

498,68
15,93
48,28

- GAS, BLN M³
- CONDENSATE, MLN T
- OIL, MLN T
- SIBERIAN DISTRICT
- URAL DISTRICT
- NORTHWESTERN DISTRICT
- VOLGA DISTRICT
- SOUTHERN AND NORTH CAUCASUS DISTRICTS
- FAR EAST DISTRICT
- CONTINENTAL SHELF

Ural Federal District remains the main gas production hub in the Russian Federation. According to the results of 2018, Gazprom Group enterprises produced 464.36 bln m³ of natural gas in the District

* PJSC Gazprom website (www.gazprom.ru)



PROSPECTS FOR THE DEVELOPMENT OF THE COMPANY

Business priorities

Ensuring fulfillment of planned tasks for natural gas production in the set amount;

Implementation of the equipment maintenance and repair program, calibration of measuring instruments, research in the chemical analytical laboratory of the gas facilities of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;

Implementation of the Schedule for Upgrading, Modernization, Retrofitting and Technical Reequipment of the facilities of OJSC Severneftegazprom for 2019–2021;

Implementation of the research and development program, development of innovative activities in order to increase the efficiency of existing production processes;

Implementation of measures for labor protection, industrial safety, and environmental protection in accordance with the requirements of the current legislation of the Russian Federation;

Implementation of measures for labor protection, industrial safety, and environmental protection in accordance with the requirements of the current legislation of the Russian Federation;

Meeting established requirements and improving the integrated management system (IMS), an energy management system that is compliant with international standards ISO 9001:2015, ISO 14001-2015, ISO 50001:2011, ISO 45001:2018, for effective quality management, labor protection, environmental and occupational safety, and energy efficiency.

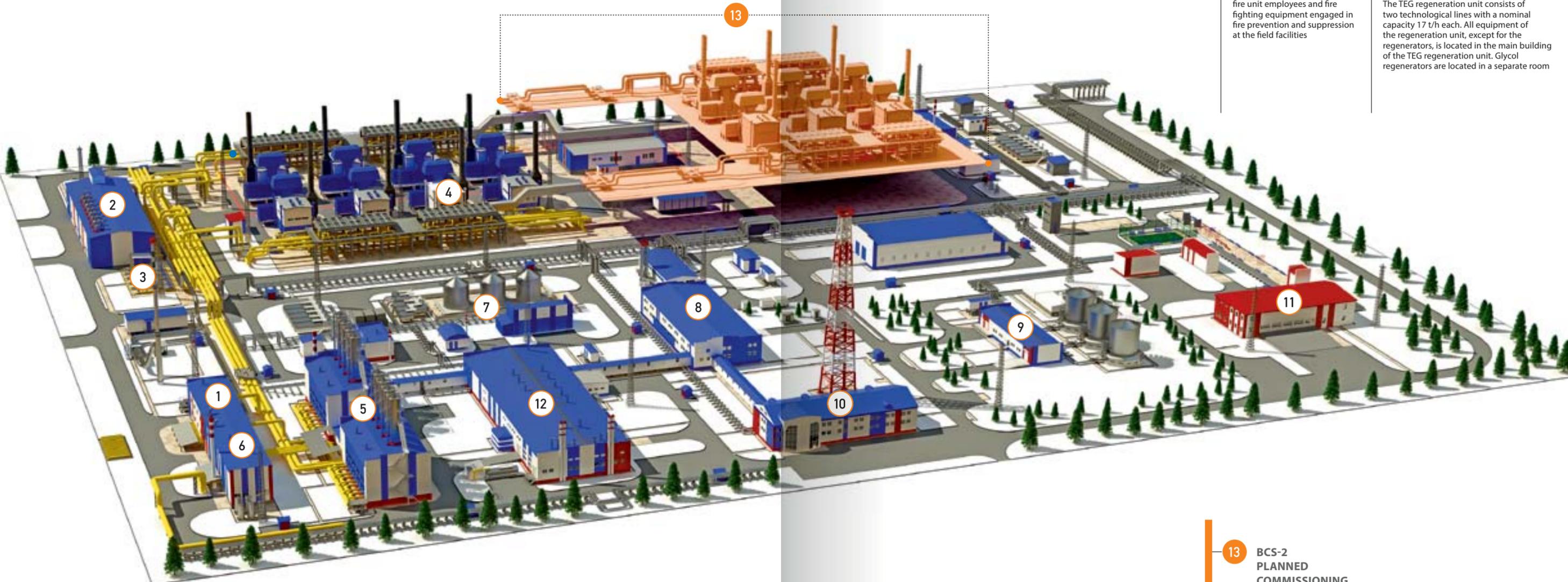


FIELD FACILITIES OF THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD

- 1 SWITCH VALVE STATION (SVS)**
Designed to accommodate the header input block and loops of gas collection system
- 2 GAS SEPARATION STATION (GSS)**
GSS provides gas purification from mechanical impurities, droplet liquid, and gas washout from salts before being fed to the booster compressor station
- 3 RECUPERATIVE HEAT EXCHANGERS**
For heat exchange between formation and compressed gas
- 4 BOOSTER COMPRESSOR STATION**
Provides compressing of pre-separated natural gas to the pressure required for its transportation from the gas treatment unit to the Purtazovskaya compressor station of commercial gas pipeline

- 5 GAS DEHYDRATION STATION**
Consists of two gas dehydration buildings GDB-1, GDB-2. It is intended for dehydration of the separated gas to the required gas dew point in accordance with the requirements of STO Gazprom 089-2010 by the method of absorption drying of water vapor. Triethylene glycol (TEG) is used as an absorbent

- 6 GAS MEASURING STATION (GMS)**
Is intended for commercial metering of commercial gas supplied to the commercial gas pipeline
- 7 WAREHOUSE FOR STORAGE OF CHEMICALS, METHANOL**
Is intended for storage of reagents used in technological processes
- 8 REPAIR AND OPERATIONS BUILDING (ROB)**
Is intended for repair, revision of equipment at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field
- 9 WATER TREATMENT FACILITIES (WTF)**
Are intended for the preparation of household drinking water, storage of industrial and fire water supplies, water supply to separate networks of industrial fire and household drinking water supply
- 10 SERVICE AND OPERATIONS BUILDING**
Two-story building equipped with power supply, ventilation, water supply, heating, sewage systems. The building includes a spacious lobby, 55 premises for various purposes for the administration and field facilities personnel, the main control panel for gas production, preparation, and transportation, a chemical analytical laboratory, a dining room for gas field facilities duty personnel
- 11 FIRE STATION**
A complex of premises designed to accommodate departmental fire unit employees and fire fighting equipment engaged in fire prevention and suppression at the field facilities
- 12 TEG REGENERATION UNIT**
It is intended for restoring the desired concentration of a saturated glycol solution. The TEG regeneration unit consists of two technological lines with a nominal capacity 17 t/h each. All equipment of the regeneration unit, except for the regenerators, is located in the main building of the TEG regeneration unit. Glycol regenerators are located in a separate room



13 BCS-2 PLANNED COMMISSIONING 2020



**EFFICIENCY OF GEOLOGICAL EXPLORATION
WORKS AND APPLICATION
OF THE STATE-OF-THE-ART TECHNOLOGIES
IS THE KEY FOR SUCCESSFUL OPERATION**

Yuzhno-Russkoye oil, gas and gas condensate field located in the north-eastern part of west Siberia is one of the largest fields in Russia in terms of reserve volume.

Resource base of the field ensures stable production and is the potential for ongoing development for many years ahead and high financial results.

25 BLN M³
GAS PRODUCTION
IN 2019 YEAR



NATURAL GAS EXPLORATION AND PRODUCTION

THE DEVELOPMENT PROGRAM OF THE COMPANY BASED ON IMPLEMENTATION OF THE NEW EFFECTIVE SOLUTIONS FOR THE TURONIAN GAS DEPOSIT DEVELOPMENT AND YUZHNO-RUSSKOYE FIELD DEVELOPMENT AND CONSTRUCTION.



5

- Status of raw material base
- Development of the cenomanian and turonian deposits
- Exploration work
- Production drilling
- Natural gas production
- Hard-to-recover reserves

21
22
24
25
25
26

Status of Raw Material Base

THE COMPANY IS THE HOLDER OF LICENSE SLKH № 11049 NE FOR THE RIGHT OF GEOLOGICAL SURVEY AND HYDROCARBON PRODUCTION WITHIN THE YUZHNO-RUSSKOYE SUBSOIL AREA. THREE FIELDS ARE LOCATED WITHIN THE BLOCK: THE YUZHNO-RUSSKOYE FIELD COMMISSIONED IN 2007 AS WELL AS THE YAROVOYE FIELD AND, PARTIALLY, THE ZAPADNO-CHASELSKOYE FIELD ENTERED INTO THE STATE REGISTER AS BEING UNDER DEVELOPMENT.

As of December 31, 2019, all license obligations of the Company in terms of geological exploration are fulfilled completely. Changes to license SLKh № 11049 NE were registered under Registration № 5509 on November 15, 2016.

CHARACTERISTICS OF THE RAW MATERIAL BASE AS OF THE END OF THE REPORTING PERIOD

FIELD	HYDROCARBON RESERVES AS OF DECEMBER 31, 2019					
	GAS, BLN M ³		CONDENSATE, MLN TONS		OIL, MLN TONS	
	A + B ₁ + C ₁	B ₂ + C ₂	A + B ₁ + C ₁	B ₂ + C ₂	A + B ₁ + C ₁	B ₂ + C ₂
Yuzhno-Russkoye Field	596.714	73.109	–	3.046	10.962	34.463
Yarovoye Field	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye Field	7.968	0.079	0.157	–	–	0.160
Total	607.478	83.656	0.369	4.039	11.019	35.826

RESERVES MOVEMENT BY CATEGORY A + B₁ + C₁ AND B₂ + C₂ FOR THE REPORTING PERIOD

HYDROCARBONS	RESERVES AS OF JANUARY 1, 2019		CHANGES IN RESERVES IN 2019						RESERVES AS OF DECEMBER 31, 2019		
	A + B ₁ + C ₁	B ₂ + C ₂	PRODUCTION + LOSS	SURVEY		REVALUATION		TRANSMISSION		A + B ₁ + C ₁	B ₂ + C ₂
				A + B ₁ + C ₁	B ₂ + C ₂	A + B ₁ + C ₁	B ₂ + C ₂	A + B ₁ + C ₁	B ₂ + C ₂		
Oil, mln tons	11.019	35.826	–	–	–	–	–	–	–	11.019	35.826
Gas, bln m ³	632.558	83.656	25.080	–	–	–	–	–	–	607.478	83.656
Gas condensate, mln tons	0.369	4.039	–	–	–	–	–	–	–	0.369	4.039



Development of the Cenomanian and Turonian gas deposits

COMPARATIVE CHARACTERISTICS OF DESIGN AND ACTUAL DEVELOPMENT INDEXES

INDEX	2019	
	PROJECT	CURRENT
Annual gas offtake, bln m ³ /year	25.004	25.080
Including:		
Cenomanian (PK ₁)	24.118	24.503
Turonian (T ₁₋₂)	0.886	0.577
Accumulated gas offtake, bln m ³	291.107	291.334
Including:		
Cenomanian (PK ₁)	289.250	289.861
Turonian (T ₁₋₂)	1.857	1.473
Gas offtake from the initial recoverable reserves, %	45.3	52.16
Including:		
Cenomanian (PK ₁)	44.8	51.54
Turonian (T ₁₋₂)	0,5	0.62
Gas offtake from the initial recoverable reserves for 2019, %	7.85	4.60
Including:		
Cenomanian (PK ₁)	4.48	4.36
Turonian (T ₁₋₂)	0.372	0.24
Well commissioning, pcs.:		
Production	14	14
Observation	0	0
Disposal	0	0
Well stock as of the end of the year, pcs.:	188	188
Production,	159	159
Including:		
Active	158	157
Observation	26	26
Disposal	3	3
Well utilization rate	1	1
Well stock utilization rate	0.994	0.987

The development indexes of the Cenomanian and Turonian gas deposits correspond to the design values.





Exploration work

IN 2019, EXPLORATION WORK FOR THE STUDY OF MINERAL RESOURCES IN THE TERRITORY OF THE YUZHNO-RUSSKOYE LICENSE AREA WERE CARRIED OUT IN ACCORDANCE WITH LICENSE OBLIGATIONS AND THE GEOLOGICAL ASSIGNMENT APPROVED BY PJSC GAZPROM.

THE CONSTRUCTION OF APPRAISAL AND PROSPECTING WELLS WAS NOT PLANNED AND WAS NOT CARRIED OUT IN 2019.

In 2019, the work commenced on the construction of a winter road and the filling of the well's working site as part of the preparatory work for the construction of appraisal well № P-62 of the Yarovoye Field of the Yuzhno-Russkoye license Area. In accordance with the construction schedule, the construction of well № P-62 will commence in early 2020, the start of drilling is scheduled for April 2020. The grounds for exploration work is the Supplement to the Project for the Additional Exploration of the Yuzhno-Russkoye License Area (in 2017, the report successfully passed the state examination and received a positive opinion from Federal Budgetary Institution Rosgeolekspertiza as well as was considered at a meeting of the section on geological exploration and reserves of hydrocarbon deposits of the Gas Industry Commission on Field Development and Subsoil Use). The main tasks of geological exploration work are to clarify the geological structure of the identified hydrocarbon deposits Yu11, Yu12, Yu13, Yu14-1, Yu14-2, Yu21, and Yu22, increasing the reliability of their reserves.

As part of the preparation for the implementation of the Lower Cretaceous deposits development program of the Yuzhno-Russkoye Field, the recounting of the initial reserves of the Lower Cretaceous deposits was completed, and the scope of research and work required for their further study were determined.

RESEARCH AND TOPIC-SPECIFIC WORK

Scientific, technical, and case studies were carried out in accordance with the approved geological assignment:

Work on the project of additional exploration of hydrocarbon deposits of the Lower Cretaceous deposits of the Yuzhno-Russkoye Field within the Yuzhno-Russkoye license Area were completed. The report was adopted at a meeting of the section on geological exploration and reserves of hydrocarbon deposits, hydro-mineral raw materials, and other subsoil resources of the Gas Industry Commission on Deposits Development and Subsoil Use. A positive conclusion was obtained from Federal State Budgetary Institution Rosgeolekspertiza;

Work on compiling a report on the recounting of the initial hydrocarbon reserves in the Lower Cretaceous deposits of the Yuzhno-Russkoye Field as of January 1, 2017, were completed. For 01.01.2017, it is planned to submit a report on recalculating reserves and a geological model for examination by the Federal Budgetary Institution State Commission for Reserves, together with a technological project for the development of Lower Cretaceous deposits;

Work on collecting, systematizing, and analyzing data on the results of core sample and fluid studies on wells drilled in the Yuzhno-Russkoye licensed Area in order to compile an information resource continue (in 2019, work on stage 2 was completed, analysis of the planned 10 wells of the Yuzhno-Russkoye licensed Area, a report on the completed works was presented), as well as work on the formation and storage of reference and representative core collections selected at the Yuzhno-Russkoye licensed Area (in 2019, works on stage 2, the complex of scheduled work on the 6 wells were completed);

Work to restore the safe condition of previously abandoned exploration wells of the old stock (6 wells), which are on the balance of the Interregional Territorial Administration of Rosimushchestvo, located on the territory of the Yuzhno-Russkoye and Yarovoye fields of the Yuzhno-Russkoye licensed Area were completed. The works were performed in accordance with the requirements of the Oil and Gas Industry Safety Rules*. Works to clean the mouth areas of the wells within a radius of 200 meters from scrap metal, construction waste, and waste left during the construction of wells were carried out. For the period 2018-2019, work on wells 5-P, 7-P, 8-P of the Yuzhno-Russkoye Field, 226-P, 227-P, 229-P of the Yarovoye Field was performed;

Work on the systematization and storage of core sample material in the core storage in Tyumen, selected in the exploration wells of the Yuzhno-Russkoye license Area continue;

Work on bringing to a safe state 33 previously abandoned wells (restoration of concrete pedestals) have been completed. The work were performed in accordance with the requirements of the Oil and Gas Industry Safety Rules Of 33 previously abandoned wells, 11 are on the balance sheet of OJSC Severneftegazprom, 22 wells are on the balance sheet of the Interregional Territorial Administration of Rosimushchestvo in the Tyumen Region, Khanty-Mansi Autonomous District — Ugra, and the Yamal-Nenets Autonomous District;

Work on creating a 1D (linear) geomechanical model for appraisal well № 62 was completed. The following results were obtained: 1D geomechanical model for 4 key boreholes with the calculation of the steady state of the wellbore; 1D geomechanical model for the design vertical appraisal well № 62 with the calculation of the steady state of the wellbore; risk assessment of geological complications was conducted, and recommendations were made for trouble-free drilling of the designed wells, including the optimal density of the drilling fluid recommendations were developed on a program of additional research for vertical appraisal wells for the tasks of geomechanical modeling;

Work on creating a 3D geomechanical model of the Yuzhno-Russkoye Field for the entire sedimentary cover interval for planning geological and technological measures and optimal development continue. In 2019, work in four stages were performed; the completion is scheduled for the end of 2020.

Production drilling

In 2019, LLC RusGazBurenie completed the construction of 9 production wells (11T gas well cluster: № 1102, 1103, 1104; 13T gas well cluster: № 1302, 1303, 1304; 14T gas well cluster: № 1402, 1403, 1404) from 12 wells of the First Start-up Complex of the Turonian gas deposit. A multistage hydraulic fracturing was carried out in three subhorizontal production wells № 1104, 1303, 1304. In 2019, eleven wells were

Exploration work
Production drilling
Natural gas production



commissioned (well 1101 was commissioned in 2018). The construction of the First Start-Up Complex is completed.

As of December 31, 2019, three production wells with an ascending structure were completed and started drilling (7T gas well cluster: № 701; 8T gas well cluster: № 801; 10T gas well cluster: № 1001) from 45 wells of the 1st phase at stage I of Turonian gas deposits development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

In 2019, upgrading work on production well № 381 commenced. The work is needed due to the bottom watering out of well № 381 KGS 38 in May 2019. The effectiveness of well recovery by sidetracking is justified by LLC Gazprom Geologorazvedka within the field supervision services in implementing the solutions of the Technological Scheme for the Development of Cenomanian and Turonian Gas Deposits of the Yuzhno-Russkoye Field. Work is performed in accordance with project documentation № 354-331/18/P-354 Upgrading of Production Gas Wells of the Yuzhno-Russkoye Field by sidetracking.

Natural gas production

IN 2019, THE GAS PRODUCTION PLAN OF OJSC SEVERNEFTEGAZPROM WAS DETERMINED AS

25,000 MILLION M³

ACTUAL GROSS GAS PRODUCTION AMOUNTED TO

25,073 MILLION M³

PLANNED TASK COMPLETED FOR

100.29% (+73.058 MLN M³)

* Order of Rostekhnadzor № 101 dated March 12, 2013, as amended, effective from January 1, 2017.



MAIN PRODUCTION INDICATORS

INDICATOR	BLN M ³		
	2019	2018	2017
Production (extracted from formation)	25.079	25.128	25.050
Natural gas losses during research of gas wells	0.006	0.002	0.007
Natural gas gross production	25.073	25.126	25.043
Own technological needs	0.249	0.208	0.163
Natural gas losses during operation of process facilities	0.0006	0.0007	0.001
Commercial gas	24.823	24.917	24.879

Hard-To-Recover Reserves

DEVELOPMENT OF HARD-TO-RECOVER TURONIAN GAS RESERVES

The Turonian hydrogeological unit has a local distribution, occurring within a thick (800-1,000 m) clay mass being a regional seal for large gas accumulations in the Cenomanian, sometimes it contains industrial gas accumulations, at both the Zapolyaroye and the Yuzhno-Russkoye Fields. Lithological layers of the formation are represented by sandstones and siltstones with an interlayer of aleurite clays with the inclusion of clay minerals (montmorillonite and mixed-layer formations) in rocks that swell when interacting with water, which have an adverse impact on the porosity values. Average weighted absolute permeability value is an order of magnitude lower than the Cenomanian rocks ($52.35 \cdot 10^{-3} \mu\text{m}^2$ — Turonian, $863.43 \cdot 10^{-3} \mu\text{m}^2$ — Cenomanian). Low formation temperatures (16–17 °C) contribute to the operation of wells in hydrate regime.

Independent development of the Turonian deposit began in accordance with the Project for Pilot Development of the Turonian Gas Deposits of the Yuzhno-Russkoye Field (2007). Pilot production began in December 2011 by the launch of one double-bottom-hole well connected into the gas collection network (GCN) of the Cenomanian field. In 2014, a pilot U-shape well was drilled. In 2016, a multistage hydraulic fracturing for the layer was carried out at the next subhorizontal well.

In 2017, a new project document Technological Scheme for the Development of the Turonian and Cenomanian Gas Deposits was approved, providing for the development of the Turonian and Cenomanian deposits as separate objects with a joint gas collection and treatment system. The following technological solutions are provided for the development of the Turonian deposit:

- The duration of the development period is 125 years (2017–2141);
- Gas production should be carried out at 138 wells combined in 50 clusters;
- Maximum annual gas production — 9.36 bln m³;
- Average well production rate is 133.0 thousand m³/day;
- Cumulative gas production during the period of commercial operation — 239.378 bln m³;
- The use of a joint (existing) GCN.

Since 2018, a program for drilling the Turonian gas reservoir and bringing it to the design annual extraction level has been implemented.

The First Start-Up Complex comprises 3 cluster pads; 4 production wells were built at each site.

As of January 01, 2020, the results of wells development were obtained for the clusters 11T, 13T, 14T and for the wells R-35 and R-51. The range of magnification coefficients of the starting flow rate of the wells in relation to the design values amounted from 1.2 to 2.6.



CLUSTER	WELL	DESIGN
11T	1101	U-shape
	1102	
	1103	Subhorizontal (multi-fracturing)
	1104	
13T	1301	U-shape
	1302	
	1303	Subhorizontal (multi-fracturing)
	1304	
14T	1401	U-shape
	1402	
	1403	
	1404	

CONSTRUCTION OF PRODUCTION WELLS ON THE TURONIAN DEPOSIT

In 2019, the construction of 9 production wells of the First Start-Up Complex for the Turonian gas deposit was completed. The grounds for their construction are the Design Project of the Cenomanian and Turonian Gas Deposits (the project prepared by LLC Gazprom Proektirovanie)*, and Group Working Project № 85/17-1 for the Construction of Production Wells with Filter Ending for the Turonian Gas Deposit**.

Of 12 wells located on 3 cluster sites, 9 wells with an upward design and 3 wells are subhorizontal with multi-stage hydraulic fracturing.

As of December 31, 2019, the construction of the First startup facilities was completed; all 12 wells were commissioned.

In November 2019, construction was commenced on the first phase (45 wells) of stage 1 (88 wells) for the additional development of the Cenomanian and Turonian gas deposits of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

In the first phase, it is planned to build 45 production wells at 16 cluster sites: 41 wells with an upward structure and 4 subhorizontal wells with multistage hydraulic fracturing of formation.

The construction of the first phase of the stage 1 is planned to be completed in 2019–2022.



* Approved by Minutes № 102-r/2017 of the Gas Industry Commission of PJSC Gazprom dated October 31, 2017, and the Minutes № 7124 of the Rosnedra Central Commission on Hydrocarbons Development dated December 15, 2017.
 ** Approved by Order № 230 dated June 4, 2018.



CONTINUOUS INNOVATIVE
DEVELOPMENT IS THE BASIS FOR OJSC
SEVERNEFTGAZPROM EFFICIENT
OPERATION

34

PATENT RIGHT



TECHNOLOGY AND INNOVATION

CONTINUOUS INNOVATIVE DEVELOPMENT OF SCIENCE, TECHNIQUES AND APPLIED TECHNOLOGIES AND METHODS OF PRODUCTION ORGANIZATION ARE THE MOST VITAL MEANS OF SOLVING INDUSTRIAL, ECONOMIC AND SOCIAL ISSUES.

OJSC SEVERNEFTEGAZPROM CONSISTENTLY SUPPORTS THE DEVELOPMENT OF SCIENTIFIC AND ENGINEERING POTENTIAL OF THE EMPLOYEES, SEARCH FOR THE NON-STANDARD TECHNICAL SOLUTIONS, AND ACTIVE INNOVATION AND INVENTIVE ACTIVITIES.



6

- Intellectual property
- Innovation activities
- Promotion of innovation activities

33
34
35

“Digital twin” of the geological and technological model: reservoirs — wells — gas collecting system — switching valves of the Yuzhno-Russkoye Field

To solve the problems of effective joint development of the Cenomanian and Turonian gas deposits, taking into account the significant difference in the values of thermobaric parameters of the wells and other technological constraints, within the frames of the implementation of the “Industry 4.0” concept, a project is being developed at OJSC Severneftegazprom to create a digital twin of the geological and technological model: reservoirs — wells — gas collecting system — switching valves of the Yuzhno-Russkoye Field.

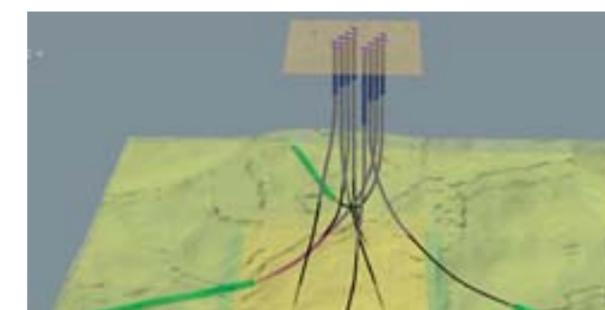
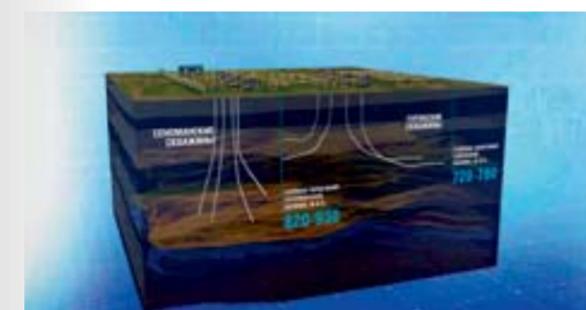
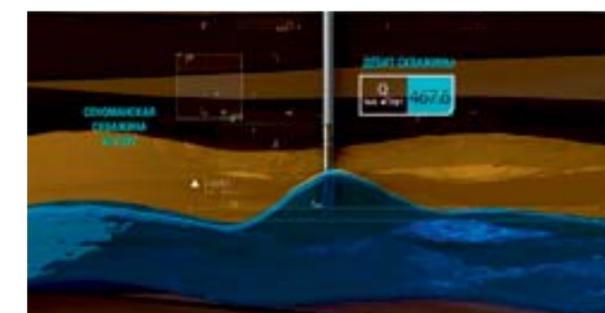
As part of the research, studies have been carried out, the theoretical and practical significance of the application of the Digital Twin, the optimal software and hardware architecture of the Digital Twin powered by artificial intelligence have been determined and substantiated.

The scientific novelty of the research results consists in the possibility of modeling the objects and processes in a digital environment by using artificial intelligence capable of making effective decisions independently, at the joint

development of the Cenomanian and Turonian gas deposits of the Yuzhno-Russkoye Field.

THE NET PRESENT VALUE OF THE INVESTMENT PROJECT IS RUB 5,523.9 MILLION, THE INTERNAL RATE OF RETURN IS 32.1%, WHICH IS CONFIRMED BY THE FEASIBILITY STUDY.

The innovative project has no analogs not only in Russia, but also in world practice. The strategy provides to carry out development work with the development of a technical design project and budget documentation in 2020. The introduction of a unique software and hardware complex is planned for 2022 Q1.





The competition to determine the best subsidiaries of PJSC Gazprom in the field of inventive and innovation activities



In accordance with the Regulation on the Competition and on the grounds of the Competition Commission minutes of results of coefficients calculating for the inventive and innovation activities of PJSC Gazprom subsidiaries dated July 9, 2019:

OJSC Severneftegazprom in the category PJSC Gazprom Subsidiary, which achieved the best performance in inventive activities at the end of 2018, took 1st place.

The Company's team was awarded the Certificate of Honor of PJSC Gazprom (Order № 336 of PJSC Gazprom dated August 8, 2019).

The competition is held annually in order to:

Stimulate the inventive and innovation activities in PJSC Gazprom subsidiaries;

Increase the creative activity of employees, involve them to improve technological and production processes contributing to the quality improvement concerning production, transportation, gas processing, saving fuel and energy resources, increasing labor productivity, improving working conditions, labor protection, and organization of production.



Intellectual property

OJSC SEVERNEFTEGAZPROM TRADITIONALLY PAYS SPECIAL ATTENTION TO THE DEVELOPMENT OF INNOVATION AND STRIVES TO USE THE MOST ADVANCED TECHNOLOGIES AND MODERN EQUIPMENT IN ITS WORK.

The professional engineering team of the Company is actively searching for new effective scientific and technical solutions that take into account the specifics of the tasks facing OJSC Severneftegazprom.

All the most important, interesting, and promising technical and organizational decisions of the Company's employees undergo a patenting process with a view to the possibility of their implementation at the enterprises of the fuel and energy complex under license agreements.

In 2019, the following objects of patent and copyright were registered in the State Register of the Russian Federation:

Automated Learning Method (patent for invention № 2697957);

A device for moving a replaceable flowing part of a centrifugal compressor of a gas pumping unit (utility model patent № 188615);



The software package "Seismic Exploration Archive" computer software certificate № 2019612180);

The software complex PrintControl computer software certificate № 2019613534);

Watcher Traffic SNMP (wtraf), computer software certificate № 2019663659).

As of December 31, 2019, the Company has 34 patent objects and 4 copyright objects, 32 of which are used in manufacturing activities.



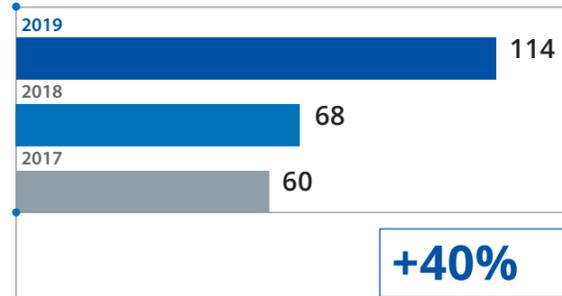
Innovation activities

Innovation activities aim to increase the efficiency of the existing production and organizational processes of OJSC Severneftegazprom.

Motivation of the Company's employees by various kinds of incentives contributes to the constant search for nonstandard technical solutions.

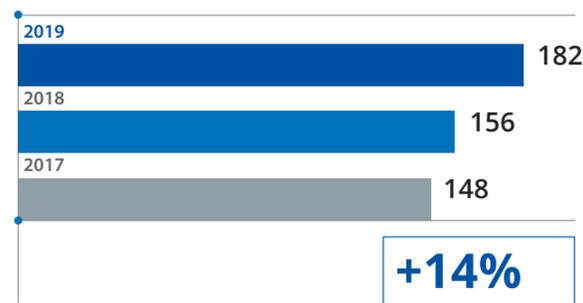
Every year, not only the number of proposed technical improvement proposals increases but also the number of employees involved in the development of the Company's innovative activities.

NUMBER OF REGISTERED INNOVATION PROPOSALS, PCS.

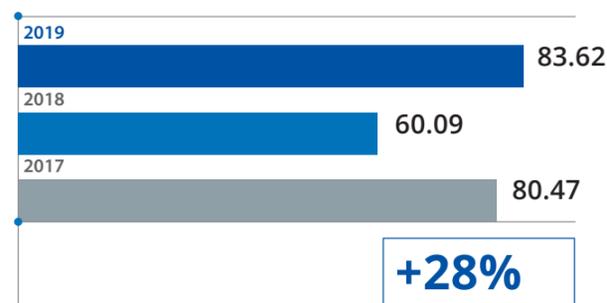


The constant search for advanced engineering solutions is the key to the successful development of OJSC Severneftegazprom and determines the position of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field as a platform for the introduction of promising technologies and the implementation of innovative solutions.

THE NUMBER OF EMPLOYEES INVOLVED IN THE DEVELOPMENT OF INNOVATION, PERSONS



THE ECONOMIC EFFECT OF THE USE OF INNOVATIVE DEVELOPMENTS IN PRODUCTION ACTIVITIES, MILLION RUBLES



Promotion of innovation activities

The promotion of the employees' innovative activities results of the OJSC Severneftegazprom is an integral element in the formation of the Company's reputation advantages and an important condition for the stable and dynamic development of production.

Successful results of scientific and technical research and the development of technological and organizational solutions are presented at competitions and conferences in the field of innovation and are published in specialized journals.

PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS AT CONFERENCES:

XIII All-Russian Conference of Young Scientists, Specialists, and Students "New Technologies in the Gas Industry"

Topics of presentations:
"Improving the layout of the centrifugal compressor shaft NTs16DKS-02 at the Yuzhno-Russkoye Field";
"Technical solution for extending the life of watering out gas wells with a self-stopping mode, until the arrangement of geological and technological measures".

II scientific-practical conference of young scientists and specialists "New Ideas in Oil and Gas Geology"

Topic of the presentation:
"Technical solution for extending the life of watering out gas wells with a self-stopping mode, until the arrangement of geological and technological measures".

73rd International Youth Conference Oil and Gas 2019

Topics of presentations:
"Innovative technical and technological solutions for the modernization of the fire regeneration units of triethylene glycol";



"Innovative solutions to optimize the technological operation mode of the Turonian gas deposit wells of the Yuzhno-Russkoye Field";
"Optimization of maintenance and repair of machinery on the actual technical condition, based on the developed system of personal automatic vibration diagnostics".

IX scientific and practical conference of young Company employees: Pipeline 2019 Initiative. Development. Potential

Topics of presentations:
"Development of the Sustainability Reporting at OJSC Severneftegazprom;
Relevant issues of accounting for estimated liabilities for the liquidation of fixed assets".

III Arctic Joint Scientific and Practical Conference of Young Scientists and Specialists of LLC Gazprom Dobycha Urengoy and LLC Gazprom Dobycha Yamburg

Topic of the presentation:
"Automation of the information support processes through the development and implementation of the "Seismic Exploration Archive" software package".

Scientific and Technical Council of PJSC Gazprom meeting of the section "Gas and Gas Condensate Production" on the topic "Relevant Issues and Scientific and Technical Solutions for Ensuring the Effective Development of Small Fields"

Topics of presentations:
"Optimization of maintenance and repair of machinery on the actual technical condition based at the developed system of personal automatic vibration diagnostics".
"Optimization of the technology for conducting gas-hydrodynamic studies of low-permeability formations in order to increase the profitability of developing small fields (using the example of the Turonian gas deposit of the Yuzhno-Russkoye Field)".

Novyy Urengoy Gas Forum Gas. Oil. New Technologies for the Arctic

The topic of the exposition:
"Protecting the present, we preserve the future." Innovative technologies implemented at OJSC Severneftegazprom, aimed at increasing the level of occupational and industrial safety, reducing energy consumption and emissions of harmful substances and greenhouse gases into the atmosphere, and ensuring sustainable development of the Company are presented.



SPE Russian Oil and Gas Technical Conference (Society of Petroleum Engineers)

Topic of the presentation:
"Analysis of uncertainties and an integrated model at the stage of drilling a field".

PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS IN PUBLICATIONS:

Oilfield business

The name of the publication: "A software-based numerical study of the erosion processes of elements of wellhead equipment and pipelines"

Authors: E.P. Mironov, E.T. Kilmamatova.

"Science and technology in the gas industry"

The name of the publication: "Substantiation of the marginal flow rates of gas wells in the Cenomanian deposits in order to prevent the destruction of the bottom-hole zone and the abrasive wear of wellhead equipment"

Authors: E.P., Mironov, A.A. Legay

Oilfield business

The name of the publication: "Improving the layout of the centrifugal compressor shaft NTs16DKS-02 at the Yuzhno-Russkoye Field"

Authors: V.V. Dmitruk, A.A. Kasyanenko, A.N. Evdokimov, D.Z. Morar.

Society of Petroleum Engineers

The name of the publication: "Analysis of uncertainties and an integrated model at the stage of drilling a field."

Authors: V.V. Dmitruk, E.P. Mironov, A.A. Mulkamanov.

REPRESENTATION OF OJSC SEVERNEFTEGAZPROM IN THE COMPETITIONS:

International Competition of Scientific, Technical, and Innovative Developments aimed at the development of the fuel and energy and mining sectors of 2019

The work of OJSC Severneftegazpromon the topic "Development and implementation of scientific and technical solutions to increase the efficiency of preventive work in wells without a major overhaul" was awarded the prize of the second degree laureate at the competition of the Ministry of Energy of the Russian Federation.

Nikolai Konstantinovich Baybakov Public Prize in the field of sustainable development of energy and society

The work of OJSC Severneftegazpromon the topic "Innovative clean Technologies for the Preparation and Purification of Groundwater with Complex Chemical Composition" was awarded the prize "For Great Achievements in Solving the Problems of Sustainable Development of the Energy and Society".





INVESTMENT MANAGEMENT SYSTEM OF OJSC
SEVERNEFTEGAZPROM BASED ON THE PRINCIPLE OF
EFFICIENCY

8.52 BLN RUB

VOLUME OF
CAPITAL
INVESTMENTS
FOR 2019



INVESTMENT ACTIVITIES

MODERNIZATION, QUALITATIVE IMPROVEMENT, AND INCREASING THE VOLUME OF FIXED ASSETS CREATES A PRODUCTION POTENTIAL TO INCREASE THE TECHNICAL LEVEL AND PRODUCTION EFFICIENCY AND MANAGEMENT OF OJSC SEVERNEFTEGAZPROM.



7

The main goals and objectives of the investment program of the Company:

Implementation of key indicators of the Long-Term Development Plan and the Budget of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;

Accomplishment of the exploration plan in accordance with the existing license obligations;

Implementation of approved design solutions ensuring commissioning, upgrading, modernization, and retrofitting of production facilities of the main and auxiliary production.

Implementation of the Company's investment projects for upgrading, modernization, retrofitting, and technical reequipment is aimed at increasing production capacity by updating, quality improvement, and quantitative expansion of fixed assets as well as technical enhancement and improvement of production and management efficiency.

Construction of facilities is carried out in close cooperation and with the operational interaction of the Company's services and contracting organizations representatives.



INVESTMENTS IN THE DEVELOPMENT AND ARRANGEMENT OF THE CENOMANIAN AND TURONIAN DEPOSITS

In accordance with the Design project of the Turonian and Cenomanian gas deposits of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field and the Company's existing licensing obligations, in the reporting period, the work was performed on the following facilities:

Construction and development of the Turonian gas deposit of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. First Start-Up Complex;

Development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. GTU. Booster compressor station № 2;

Well R-35 construction;

Well R-51 construction;

Construction and development of the Cenomanian and Turonian gas deposits of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. First stage.

The development of projects was carried out upgrading the operating gas wells of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field by sidetracking



INVESTMENTS IN OBJECTS OF UPGRADING, MODERNIZATION, RETROFITTING, AND TECHNICAL REEQUIPMENT

In 2019, works were completed at the following facilities:

- Technical reequipment of gas facilities of the Yuzhno-Russkoye Oil and Gas Field. (Equipment for metering electric energy by piping electrical heating panels);
- Technical reequipment of ESP;
- Technical reequipment of facilities of the Yuzhno-Russkoye Oil and Gas Field;
- Modernization of the ICS of the Yuzhno-Russkoye Oil and Gas Field;
- Retrofitting the facilities of the Yuzhno-Russkoye Oil and Gas Field with an air conditioning system (Customer-based AHF CFD);
- Further development of the shift workers muster station in Krasnoselkup;
- Retrofitting of the ventilation system at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. Industrial base. Production building with heated parking".

The works on upgrading the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field roads are under performance: Road Urengoy — Krasnoselkup. Area of the Yuzhno-Russkoye Oil and Gas Field — Beregovoye Gas Condensate Field — 68.716 km; Access road to the PSFS. PK Section 0+00 – peg 122+79.25; Access road to PSFS. PK Section 122+79.25 – PSFS; Access road: Commercial gas pipeline, 64 km.

The following design work was completed:

- Upgrading of the premises at the Administrative building and muster station of the shift workers in the city of Novy Urengoy;
- Modernization and retrofitting. ETMG SC: Engineering and Technical Means of Guarding for the Shift Camp of the Yuzhno-Russkoye Oil and Gas Field (ETMG SC. Correction);
- Technical reequipment of the facilities. GTU: Site utility networks: Water supply and sewage networks;
- The geotechnical monitoring system of OJSC Severneftegazprom facilities;
- Technical reequipment of automatic fire extinguishing and fire alarm systems, warning and evacuation control systems in buildings and structures of OJSC Severneftegazprom.

INVESTMENTS IN ADMINISTRATIVE FACILITIES

In order to improve the functional parameters of the facilities, work on retrofitting the shift workers muster station in Krasnoselkup were performed.

CAPITAL INVESTMENTS FOR THE REPORTING PERIOD

Capital investments in 2019 amounted to RUB 8,523 million, which is 198% higher than the same indicator last year (RUB 2,858 million in 2018).

CAPITAL INVESTMENTS IN 2019 AMOUNTED TO

8,523 MILLION RUB.



CAPITAL INVESTMENTS FOR THE REPORTING PERIOD

MILLION RUBLES, VAT EXCLUDED

	2019	2018	CHANGE 2019/2018	
	CURRENT	CURRENT	+/-	%
Capital investments, TOTAL	8,523	2,858	5,665	198
Including:				
Production drilling	2,930	1,462	1,468	100
Exploration work at the field	102	1	101	10,100
E&D of future years	19	148	-129	-87
Equipment not included in the construction estimates	170	135	35	26
Construction facilities	5,279	1,098	4,181	381
Purchases of noncurrent assets	23	14	9	64

A significant increase in capital investments in the reporting period is due to the following activities:

- Construction and development of the Turonian gas deposit of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. First Start-Up Complex
- Construction and development of the Cenomanian and Turonian gas deposit of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. First stage;

- Development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. GTU. Booster compressor station № 2;
- Development of wells R-35, R-51 of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;
- Modernization of the ICS of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;
- Technical re-equipment of ESP.





THE TOTAL COST OF CONSTRUCTION FACILITIES AND FIXED ASSETS COMMISSIONED IN 2019 AMOUNTED TO

5,335 MILLION RUB.

COMMISSIONING OF FACILITIES FOR THE REPORTING PERIOD

MILLION RUBLES, VAT EXCLUDED

	2019	2018	CHANGE 2019/2018	
	CURRENT	CURRENT	+/-	%
Capital investments, TOTAL	5,335	1,115	4,220	378
Including:				
Production drilling	3,546	377	3,169	841
Exploration drilling	-	-	-	-
Equipment not included in the construction estimates	170	135	35	26
Construction facilities	1,607	589	1,018	173
noncurrent assets	12	14	-2	-14

In 2019, the following facilities were completed and commissioned:

- Production well SGC 14 № 1401;
- Production well SGC 14 № 1402;
- Production well SGC 14 № 1403;
- Production well SGC 14 № 1404;
- Production well SGC 13 № 1301;

- Production well SGC 13 № 1302;
- Production well SGC 13 № 1303;
- Production well SGC 13 № 1304;
- Production well SGC 11 № 1102;
- Production well SGC 11 № 1103;
- Production well SGC 11 № 1104;

- Technical re-equipment of wells 1P and 3P: tubing replacement;
- Well R-35 construction
- Road to R-35;
- Construction of GSC with VL R-35;
- Well R-51 construction
- Road to R-51;
- Construction of GSC with VL R-51;
- Category IV-c road to gas well cluster № 11T (0.24 km);
- Category IV-c road to gas well cluster № 13T (0.513 km);
- Category IV-c road to gas well cluster № 14T (0.489 km);
- Gas well cluster № 11T. Engineering preparation of the site, structures, engineering networks, gas well № 1101 piping;
- Development of cluster № 11T. Gas well № 1102 piping;
- Development of cluster № 11T. Gas well № 1103 piping;
- Development of cluster № 11T. Gas well № 1104 piping;
- Gas well cluster № 13T. Engineering preparation of the site, structures, engineering networks, gas well № 1301 piping;
- Development of cluster № 13T. Gas well № 1302 piping;
- Development of cluster № 13T. Gas well № 1303 piping;
- Development of cluster № 13T. Gas well № 1304 piping;
- Gas well cluster № 14T. Engineering preparation of the site, structures, engineering networks, gas well № 1401 piping;
- Development of cluster № 14T. Gas well № 1402 piping;
- Development of cluster № 14T. Gas well № 1403 piping;
- Development of cluster № 14T. Gas well № 1404 piping;
- Modernization of the ICS of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;
- Retrofitting the facilities of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field with an air conditioning system (Customer-based AHF CFD);
- Further development of shift workers muster station in Krasnoselkup;
- Technical re-equipment of the gas facilities of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. (Equipment for metering electric energy by piping electrical heating panels);
- Technical re-equipment of ESP;
- Technical re-equipment of facilities of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field; BCS;
- Retrofitting of the ventilation system at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. Industrial base. Production Building with heated parking.
- Purchases of noncurrent assets (R&D, IA).



DYNAMICS OF THE VALUE OF FACILITIES UNDER CONSTRUCTION

MILLION RUBLES, VAT EXCLUDED

FACILITY (BY GROUPING PARAMETERS)	31.12.2019	31.12.2018	31.12.2017
Construction of fixed assets facilities (industrial construction)	1,415	736	190
Construction of the fixed assets facilities (production drilling)	506	1,089	–
Construction of the fixed assets facilities (exploration drilling)	393	291	290
E&D of the future periods	40	215	163
Purchases of noncurrent assets	29	18	19
Installation equipment	2,983	41	8
Total construction in progress	5,366	2,390	670

The fixed assets facilities under construction as of December 31, 2019 include:

- Exploration drilling — wells №№ R-54, R-61, R-62;
- Upgrading of production gas well № 381 of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field by sidetracking;
- Upgrading well № 253;
- Upgrading well № 403;
- Production well SGC 5T № 501;
- Production well SGC 5T № 502;
- Production well SGC 5T № 503;
- Production well SGC 7T № 701;
- Production well SGC 7T № 702;
- Production well SGC 7T № 703;
- Production well SGC 8T № 801;
- Production well SGC 8T № 802;
- Production well SGC 9T № 901;
- Production well SGC 9T № 902;
- Production well SGC 10T № 1001;
- Production well SGC 10T № 1002;
- Production well SGC 10T № 1003;
- Production well SGC 1T № 101;
- Production well SGC 1T № 102;
- Production well SGC 1T № 103;
- Production well SGC 15T № 1501;
- Production well SGC 15T № 1502;
- Production well SGC 15T № 1503;
- Production well SGC 18T № 1801;
- Production well SGC 18T № 1802;
- Production well SGC 18T № 1803;
- Production well SGC 6T № 601;
- Production well SGC 6T № 603;
- Production well SGC 17T № 1701;
- Production well SGC 17T № 1702;



- Production well SGC 17T № 1703;
- E&D of future years, including:
 - Design work on the development of the Lower Cretaceous and Jurassic deposits of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;
 - A comprehensive project for the development of the Yuzhno-Russkoye Field;
 - Development of a project “Upgrading the Premises at the Administrative Building and the Shift Workers Muster Station in Novy Urengoy;
 - Development of a project for upgrading the production gas wells of the Yuzhno-Russkoye Field by sidetracking;
 - Development of a project “Modernization and Retrofitting. ETMG SC: Engineering and Technical Means of Guarding for the Shift Camp of YRGF (ETMG SC. Correction)»;
 - Development of a project “Technical Reequipping of the Facilities. GTU: Site utility networks: Water supply and sewage networks;
 - Development of a project “The System of Geotechnical Monitoring of the Facilities of OJSC Severneftegazprom ;
 - Development of a project “Technical Reequipping of Automatic Fire Extinguishing and Fire Alarm Systems, Warning and Evacuation Control in Systems Buildings and Structures of OJSC Severneftegazprom;
- Sandstone Hydraulically Placed Quarry № 2G;
- Hydraulically Placed Quarry № 201 at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field;
- Development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. GTU. Booster compressor station № 2;
- Linear Communication Center stage № 2;
- Engineering preparation, road to SGC № 5T, Gas wells №№ 501, 502, 503 piping;
- Engineering preparation, road to SGC № 7T, Gas wells №№ 701, 702, 703 piping;
- Engineering preparation, road to SGC № 8T, Gas wells №№ 801, 802 piping;
- Engineering preparation, road to SGC № 9T, Gas wells №№ 901, 902 piping;
- Engineering preparation, road to SGC № 10T, Gas wells №№ 1001, 1002, 1003 piping;
- Engineering preparation, road to SGC № 1T, Gas wells №№ 101, 102, 103 piping;
- Engineering preparation, road to SGC № 15T, Gas wells №№ 1501, 1502, 1503 piping;
- Engineering preparation, road to SGC № 17T, Gas wells №№ 1701, 1702, 1703 piping;
- Engineering preparation, road to SGC № 16T, Gas wells №№ 1601, 1602, 1603 piping;
- Engineering preparation, access road to SGC № 39T, Gas wells №№ 3901, 3902, 3903, 3904 piping;
- Engineering preparation, roads, loops, development of 22 well clusters in the Turonian gas deposits of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. First stage;
- Integrated information protection system of information management system of industrial and economic activities (1st priority) of OJSC Severneftegazprom
- Upgrading the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field roads: Road Urengoy — Krasnoselkup. Area of the Yuzhno-Russkoye Oil and Gas Field — Beregovoye Gas Condensate Field — 68.716 km; Access road to the PSFS. PK Section 0+00 — peg 122+79.25; Access road to PSFS. PK Section 122+79.25 – PSFS; Access road: Commercial gas pipeline, 64 km.
- Upgrading BCS-1 (GSUs №№ 1 ... 4);
- Retrofitting of the facility. ETMG SFS: Engineering and Technical Means of Guarding the PSFS, GTU, ESP (STP equipping with anti-ram device);
- Retrofitting of the facility. Communication center: PRS-34, PRS-65, PRS-93, URS-1 — retrofitting with a set of engineering security equipment;
- Retrofitting of the facility. Customer-based AHF — retrofitting with a set of engineering and technical means of guarding;
- Purchases of noncurrent assets (R&D, IA).

SUSTAINABLE FINANCIAL PLIGHT IS THE BASIS FOR RELIABLE PRODUCTION

Monitoring for the growth of operating costs and the implementation of cost optimization measures ensured the fulfillment of all established production tasks for 2019.

51,742 MLN RUB

SALES
PROCEEDS
FROM NATURAL GAS
2019



KEY FINANCIAL INDICATORS

THIS SECTION IS A REVIEW OF THE FINANCIAL PLIGHT OF OJSC SEVERNEFTEGAZPROM AS OF DECEMBER 31, 2019, AND IS SUBJECT TO REVIEW IN CONJUNCTION WITH THE COMPANY'S ACCOUNTING STATEMENTS FOR 2019, PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS AND AVAILABLE FOR REVIEW TO ALL STAKEHOLDERS ON THE COMPANY'S OFFICIAL WEBSITE AT: www.severneftegazprom.com



8

- Key financial indicators
- Indicators of the statement of financial results
- Cash flows for the reporting period
- Key financial ratios



Key financial indicators

KEY FINANCIAL INDICATORS, MILLION RUBLES

INDICATOR	2019	2018	CHANGE IN %
Revenue	51,742	47,740	8
Gas production costs*	(3,911)	(3,803)	3
- for the production of 1,000 m3 of gas (rubles)	(158)	(153)	3
Depreciation deductions	(5,176)	(5,569)	-7
Tax expenses	(31,613)	(34,392)	-8
GE expenses**	(80)	(36)	126
Management expenses	(1,355)	(1,395)	-3
Operating profit	9,607	2,546	277
Net profit	4,408	1,840	140
Net funds from operating activities	12,617	7,990	58
Commissioning of fixed assets (including intangible assets and research and development)	5,335	1,115	378

* Expenses for gas production — all expenses included in the prime cost (works, services), excluding depreciation, tax deductions, and geological exploration.

** Exploration work.

+4,002 MILLION RUBLES SALES

-2,782 MILLION RUBLES EXPENSES FOR GAS MET

+2,568 MILLION RUBLES NET PROFIT

The long-term agreements concluded by OJSC Severneftegazprom for the sale of produced gas ensure in full the regular receipt of revenues and guarantee the paying sales market throughout the entire period of development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field.

The volume of natural gas sales in 2019 amounted to 24,823 mln m³.

Revenue from gas sales in 2019 increased by 8% compared to the last year and amounted to 51,742 million rub. An 8% increase in 2019 compared to the previous period was due to higher gas selling prices under long-term gas sales agreements.



Financial Performance Report Indicators

INDICATOR	MILLION RUBLES		
	2019	2018	CHANGE IN %
Revenue	51,742	47,740	8
Sales prime cost, including:	(40,780)	(43,799)	-7
Taxes (MET, property tax, other taxes)	(31,613)	(34,392)	-8
Depreciation deductions	(5,176)	(5,569)	-7
Gas production costs*	(3,911)	(3,803)	3
GE expenses	(80)	(36)	126
Gross profit	10,963	3,941	178
Management expenses	(1,355)	(1,395)	-3
Sales profit	9,607	2,546	277
Interest receivable	429	451	-5
Interest payable (interest expense on estimated liabilities)**	(4,287)	(458)	835
Other income and expenses (balance)	(172)	(180)	-5
Profit before tax	5,578	2,359	137
Net profit	4,408	1,840	140

* Expenses for gas production — all expenses included in the prime cost (works, services), excluding depreciation, tax deductions.
 ** Accrued interest expense related to the increase in the present value of long-term estimated liabilities for the reserve for decommissioning of fixed assets and the regeneration of natural resources.
 These expenses are due to the accrual of estimated liabilities for decommissioning of fixed assets and the regeneration of natural resources in accordance with RAS 8/2010 "Estimated Liabilities, Contingent Liabilities, and Contingent Assets".

A decrease in the prime cost of production through the changes in tax deductions due to a decrease in the natural gas MET rate had a positive effect on the Company's net profit indicator for 2019.

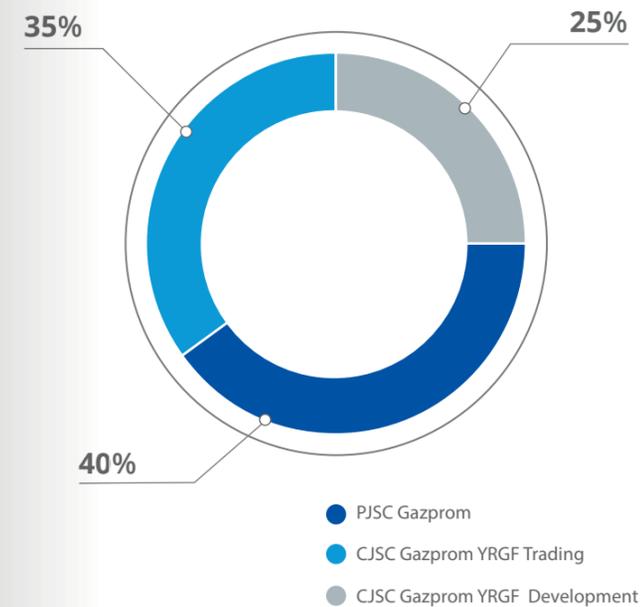
Due to the outflow of funds for financing capital investments related to the project "Implementation of the Second Stage of the Design Project for the Development of the Cenomanian and Turonian Gas Deposits of the Yuzhno-Russkoye Oil, Gas

and Gas Condensate Field of OJSC Severneftegazprom," a decrease in the amount of funds placed in deposit accounts and, as a result, a decrease in interest receivable occurred in 2019.

The increase in estimated liabilities in 2019, as compared to 2018, is associated with an increase in their present value and, as a result, an increase in interest payable.



GAS SALES REVENUE STRUCTURE



The requirements for the quality of gas supplied to Customers are regulated in accordance with STO Gazprom 089-2010 "Combustible natural gas supplied and transported through gas pipelines. Technical conditions". This standard is aimed at improving product quality and ensuring the efficiency and safety of gas pipeline systems.



COMMERCIAL GAS SALES VOLUME

	MLN M ³		
	2019	2018	2017
TOTAL, INCLUDING:	24,823	24,917	24,879
PJSC Gazprom	9,929	9,967	9,952
CJSC Gazprom YRGF Trading	8,688	8,721	8,708
CJSC Gazprom YRGF Development	6,206	6,229	6,220

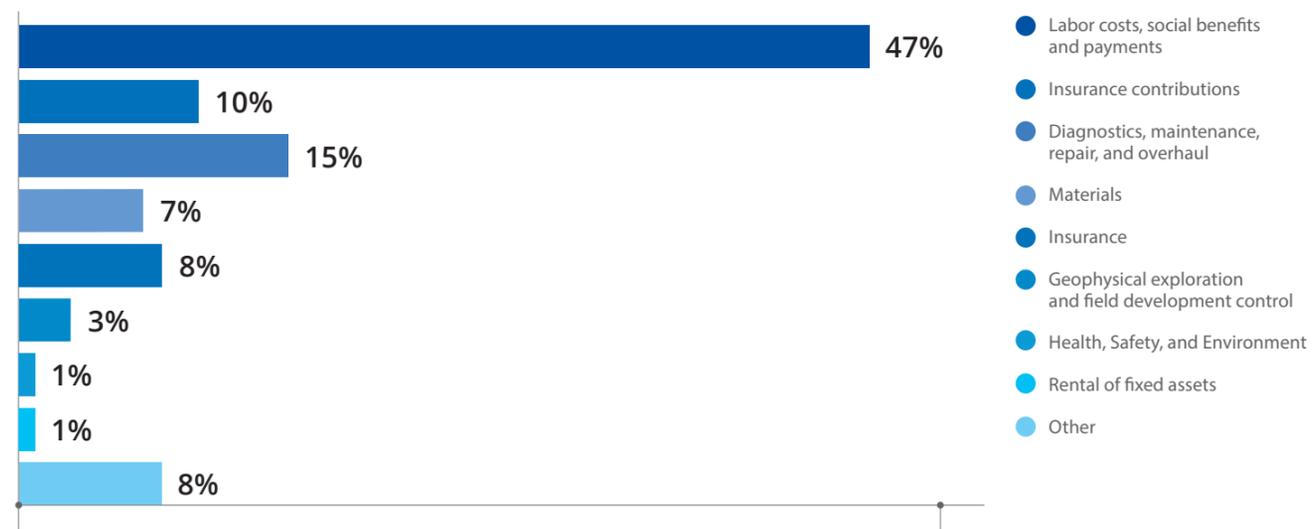


GAS PRODUCTION COSTS (excluding tax, depreciation, and exploration expenses)

A 3% increase in production costs for gas production in 2019 is mainly due to an increase in labor costs, social benefits, and payments by 3% (wage indexation) and an increase in operating costs due to an increase in the production wells stock.



STRUCTURE OF GAS PRODUCTION COSTS



DYNAMICS OF GAS PRODUCTION COSTS

MILLION RUBLES

INDICATOR	2019	2018	CHANGE IN %
Labor costs, social benefits and payments	1,827	1,782	3
Insurance contributions	390	394	-1
Diagnostics, maintenance, repair, and overhaul	588	616	-5
Materials	261	249	5
Insurance costs	320	301	6
Geophysical exploration and field development control	111	76	47
Health, Safety, and Environment	52	52	0
Rental of fixed assets	25	25	0
Other	335	308	9
TOTAL	3,911	3,803	3
GE	80	36	126
TOTAL INCLUDING GE EXPENSES	3,991	3,838	4

TAXES (excluding income tax)

MILLION RUBLES

INDICATOR	2019	2018	CHANGE IN %
Mineral extraction tax	30,916	33,698	-8
Property tax	695	690	1
Other taxes	3	4	-6
TOTAL TAXES (EXCLUDING INCOME TAX)	31,613	34,392	-8

The main part (98%) in the tax structure falls on deductions on the mineral extraction tax (MET).

The calculation formula for the natural gas MET rate has been established in accordance with the Tax Code of the Russian Federation.

An 8% decrease in MET expenses in 2019 was due to a decrease in the weighted average annual rate of the specified tax (from 1,349 RUB per thousand m³ of Cenomanian, 263 RUB per thousand m³ of Turonian in 2018 to 1,255 RUB per thousand m³ of Cenomanian and 259 RUB per thousand m³ of Turonian in 2019).



ASSETS

IN 2019, THE COMPANY'S ASSETS GREW BY 11%, OR BY

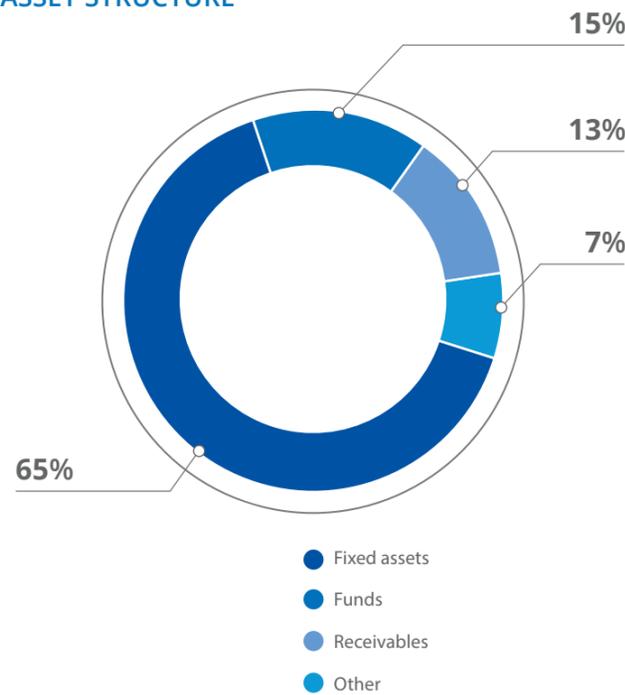
6.1 BLN RUB.

THE VALUE OF ASSETS AMOUNTED TO 60.98 BLN RUB AT THE END OF 2019

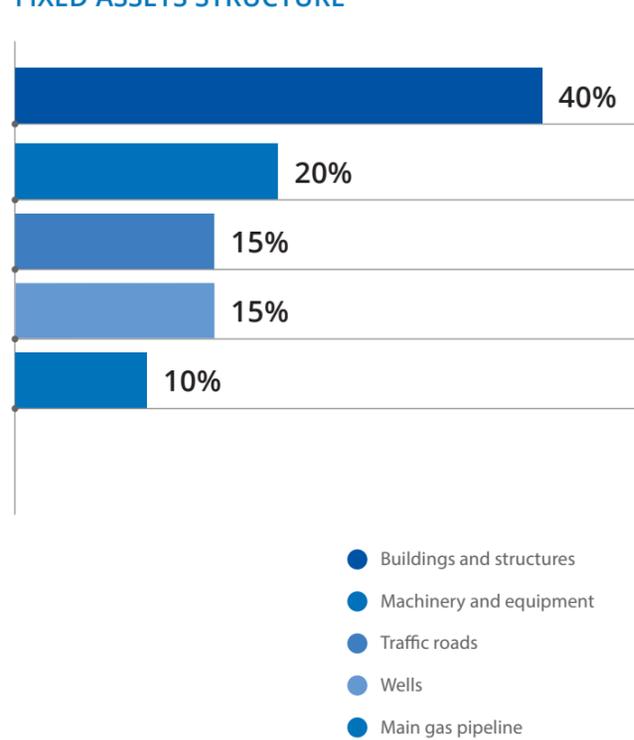
60.98 BLN RUB.



ASSET STRUCTURE



FIXED ASSETS STRUCTURE



CHANGE IN THE COMPANY ASSETS FOR THE REPORTING PERIOD

MILLION RUBLES

	AS OF 31.12.2019	AS OF 31.12.2018	CHANGE IN %
NONCURRENT ASSETS	43,392	40,092	8
Intangible assets	9	8	14
Research and development results	47	32	45
Intangible search assets	-	-	-
Fixed assets	39,362	36,367	8
Deferred tax assets	2,140	1,274	68
Other noncurrent assets	1,834	2,410	-24
CURRENT ASSETS	17,589	14,810	19
Reserves	675	575	17
Receivables	7,658	7,413	3
Financial contributions	-	-	-
Funds	9,151	6,755	35
Other current assets	105	67	59
TOTAL	60,981	54,902	11

Changes in the Company assets in 2019 occurred for the following items:

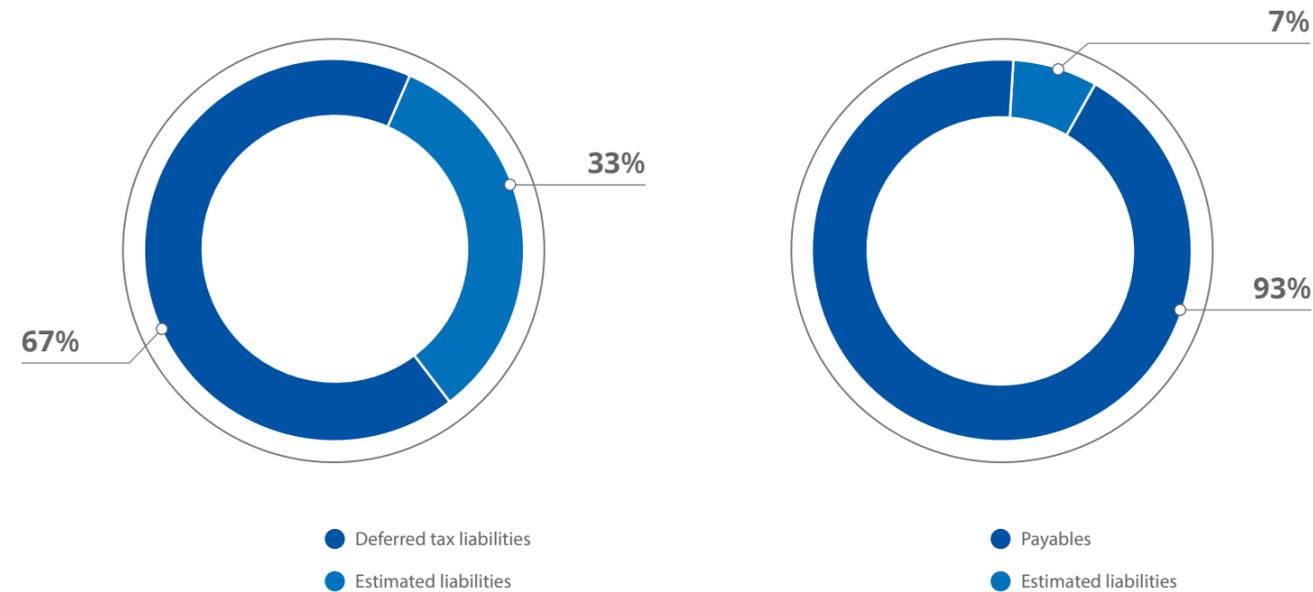
- Fixed assets increased by 2,995 MLN RUB, or 8%, due to an increase in the commissioning of facilities and an increase in the indicator of incomplete capital expenditures for 2019 by 2,965 MLN RUB, or 125%;
- Receivables increased by 244 MLN RUB, or 3%, due to an increase in advances issued in respect of future deliveries of goods (works and services).
- Deferred tax assets increased by 866 MLN RUB, or 68%;



LONG-TERM AND SHORT-TERM LIABILITIES

LONG-TERM LIABILITIES TOTAL: 12.1 BLN RUB AS OF DECEMBER 31, 2019

SHORT-TERM LIABILITY TOTAL: 7.2 BLN RUB AS OF DECEMBER 31, 2019



LONG-TERM AND CURRENT LIABILITIES, MILLION RUBLES

MILLION RUBLES

	AS OF 31.12.2019	AS OF 31.12.2018	CHANGE IN %
LONG-TERM LIABILITIES	12,149	7,619	59%
Bank loans repayable for more than 12 months, total, million rubles	-	-	-
Deferred tax liabilities	2,416	2,496	-3
Estimated liabilities	9,553	5,072	88
Other liabilities	180	50	256
SHORT-TERM LIABILITY	7,245	8,265	-12
Bank loans repayable within 12 months, total, million rubles	-	-	-
Payables	6,747	7,670	-12
Estimated liabilities	498	595	-16
TOTAL	19,394	15,884	22



Changes in the Company liabilities in 2019 occurred for the following items:

An increase in long-term liabilities by 4,530 MLN RUB, or 60%, was due to the creation of a reserve and an increase in the accrued amount of the estimated liability for the decommissioning of fixed assets and the regeneration of natural resources due to the expansion of fixed assets.

A decrease in short-term liabilities by 1,019 MLN RUB, or 12%, was due to a decrease in payables for taxes and fees.

CAPITAL AND RESERVES

MILLION RUBLES

	AS OF 31.12.2019	AS OF 31.12.2018	CHANGE IN %
AUTHORIZED CAPITAL, ADDITIONAL CAPITAL, AND RESERVES	25,187	25,187	0
Authorized capital	40	40	0
Revaluation of noncurrent assets	46	46	0
Additional capital	25,099	25,099	0
Reserve capital	2	2	0
UNDISTRIBUTED PROFIT	16,400	13,832	19
Including profit in the reporting period	4,408	1,840	140
TOTAL CAPITAL AND RESERVES	41,587	39,018	7

In 2019, the capital and reserves of the Company increased by 2,568 MLN RUB, or 7%, due to the obtaining of a positive financial result for 2019 in the amount of 4,408 MLN RUB, which is 2,568 MLN RUB more than in 2018.





Cash flow for the reporting period

NET FUNDS RECEIVED FROM OPERATING ACTIVITIES INCREASED BY 58% AND AMOUNTED TO

12,617 MLN RUB.

NET FUNDS

MILLION RUBLES

INDICATOR	2019	2018	DEVIATION 2019/2018	CHANGE IN %
Net funds received from operating activities	12,617	7,990	4,627	58
Net funds used in investment activities	(8,532)	(6,047)	(2,485)	-41*
Net funds used in financial activities	(1,689)	(2,722)	1,032	38**

* The indicator presents the effect of cash outflows from the use on investment activities. In 2019, 2,485 MLN RUB more than in 2018 were spent, therefore, the funds balance of the company decreased, therefore this indicator has a negative value.

** The indicator presents the effect of cash outflows from the use on financial activities. In 2019, 1,032 MLN RUB more than in 2018 were spent, therefore, the funds balance of the company increased, therefore this indicator has a positive value.



Key financial ratios

KEY INDICATORS OF FINANCIAL STABILITY

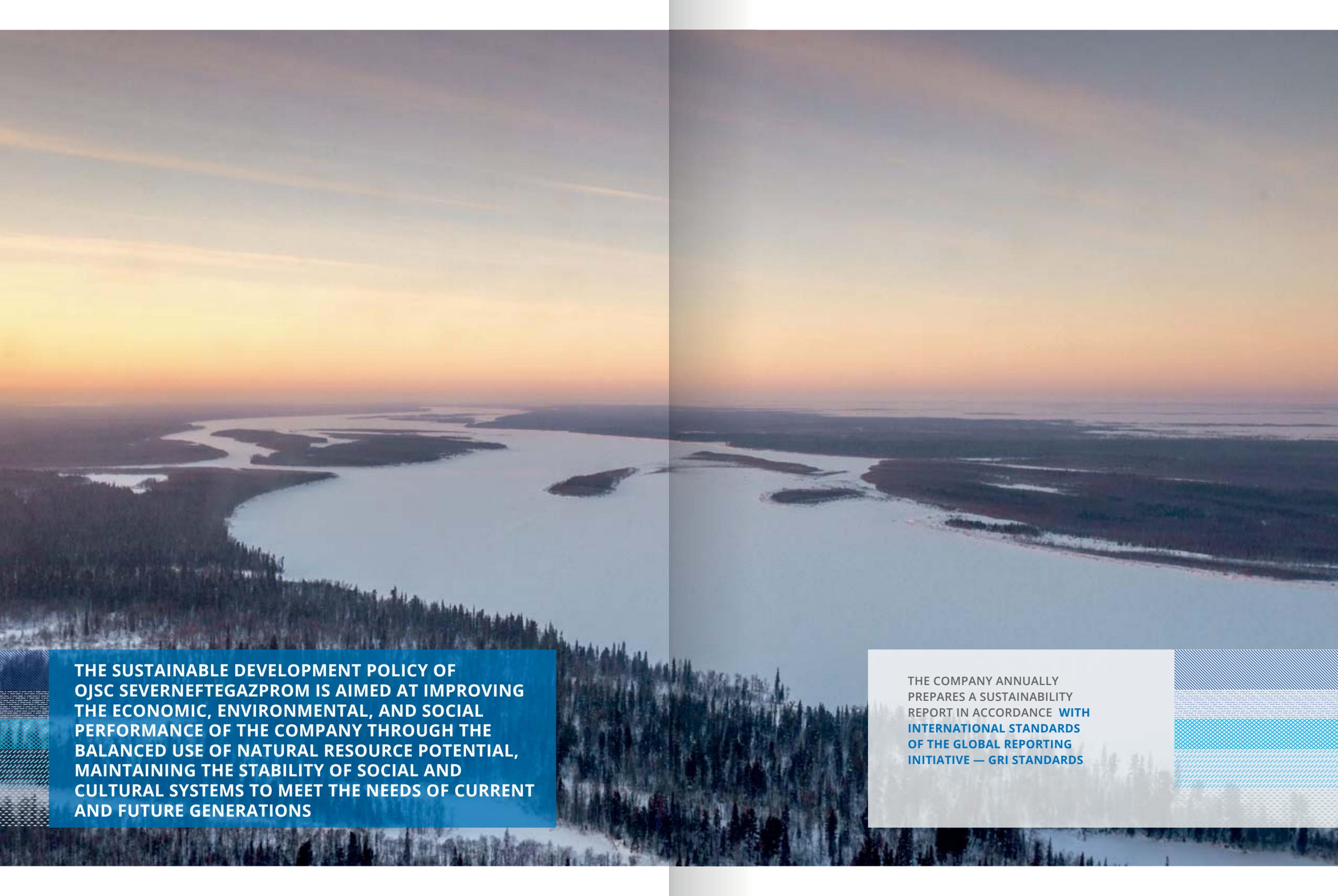
NAME OF THE FINANCIAL RATIO (R)	AS OF 31.12.2019	AS OF 31.12.2018	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF THE RATIOS
Equity ratio	0.68	0.71	-0.03	Ratio of equity to total capital
Financial leverage ratio	0.47	0.41	0.06	Debt to equity ratio
Cover ratio	0.88	0.85	0.03	Ratio of equity and long-term liabilities to total capital
Current assets to equity ratio	0.78	1.13	0.27	The ratio of working capital to shareholder's equity
Current assets mobility ratio	0.52	0.46	0.06	The ratio of the most mobile part of current assets to the total value of current assets

KEY LIQUIDITY INDICATORS

NAME OF THE FINANCIAL RATIO (R)	AS OF 31.12.2019	AS OF 31.12.2018	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF THE RATIOS
Current (total) liquidity ratio	2.43	1.79	0.64	The ratio of current assets to short-term liabilities. It shows the security of short-term liabilities with all current assets
Quick (interim) liquidity ratio	2.33	1.72	0.61	The ratio of liquid assets to short-term liabilities. It shows the security of short-term liabilities with cash, current financial assets, and short-term receivables
Absolute liquidity ratio	1.26	0.82	0.45	The ratio of highly liquid assets to short-term liabilities. It shows how much short-term liabilities can be repaid immediately

PROFITABILITY ANALYSIS

PROFITABILITY INDICATORS	2019	2018	CHANGES FOR THE PERIOD
Return on sales, in kopecks per ruble of revenue	18.5	5.3	13.2
EBIT sales margin, %	18.9	5.9	13
Net profit sales margin, kopecks per ruble of revenue	8.5	3.9	4.6
Interest coverage ratio, ICR	2.3	6.2	-3.9



THE SUSTAINABLE DEVELOPMENT POLICY OF OJSC SEVERNEFTEGAZPROM IS AIMED AT IMPROVING THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL PERFORMANCE OF THE COMPANY THROUGH THE BALANCED USE OF NATURAL RESOURCE POTENTIAL, MAINTAINING THE STABILITY OF SOCIAL AND CULTURAL SYSTEMS TO MEET THE NEEDS OF CURRENT AND FUTURE GENERATIONS

THE COMPANY ANNUALLY PREPARES A SUSTAINABILITY REPORT IN ACCORDANCE WITH INTERNATIONAL STANDARDS OF THE GLOBAL REPORTING INITIATIVE — GRI STANDARDS

SUSTAINABLE DEVELOPMENT

THE COMPANY BUILDS ITS PRODUCTION STRATEGY BASED ON THE INTEGRATED ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT OF REGIONS OF PRESENCE. BUSINESS MANAGEMENT IS DEVELOPED IN COMPLIANCE WITH PRINCIPLES OF TRANSPARENCY AND CLOSE INTERACTION WITH STAKEHOLDERS.



9

- Prioritizing
- Environmental protection
- Energy consumption and energy saving
- Personnel and production safety
- Staff and Social Policy
- Interactions with stakeholders



Prioritizing



OJSC Severneftegazprom builds its work in accordance with the sustainable development concept adopted in the Russian Federation and worldwide, which provides a balanced approach to solving socioeconomic problems, issues of maintaining healthy environment, and natural resource potential in order to meet the needs of both the present and the future generations.

Sustainable development activities are among the strategic objectives of the Company. During the reporting period, several positive results were achieved, the main of which were the maintenance of high production indicators and the trouble-free operation of the field.

Since 2011, the Company annually discloses nonfinancial information in the field of sustainable development as part of the Annual Report. When preparing the Report, the Company focuses primarily on the interests of stakeholders, which may have an impact on the activities of the Company or may be influenced by the Company's activities. The content of the Sustainability Report for 2019 was formed on the basis of monitoring and identifying significant topics in the course of interaction with stakeholders.

Based on the analysis of the information obtained, at the end of 2019, a meeting of the working group on sustainable development was held at which material topics were approved for inclusion in the Company's Annual Report for 2019.

This report has been prepared in accordance with the GRI Standards: Core option.



Based on the results of the assessment conducted by the working group, the following material topics were identified:

- employment;
- health and safety at the workplace;
- training and education;
- rights of indigenous and minority peoples;
- asset integrity and technological security;
- energy;
- water;
- emissions;
- discharges and waste;
- economic performance;
- procurement practices;
- reserves.

In addition to the material topics identified by the working group, this Report also considered additional aspects providing the most complete picture of the Company's impact on the economy, social area, and environment. A table containing a complete list of material topics disclosed in the Report, as well as pages locating the relevant indicators, is presented in Annex 2 — GRI Content Index.

In preparing this Report, we used the data of management accounts, statistics and accounting statements of OJSC Severneftegazprom, drawn up in accordance with Russian Accounting Standards (RAS), published on the official website of the Company at www.severneftegazprom.com





Environmental protection

Continuous improvement of approaches in the field of environmental safety allows the Company to achieve the most harmonious use of natural resources and minimize adverse impact on the environment.

OJSC Severneftegazprom uses the best international experience in the field of ecology, follows environmental standards established by the legislation of the Russian Federation, and adheres to the principle of environmental friendliness.

To implement this principle, the Company on an ongoing basis carries out activities aimed at:

- Ensuring the resource saving and reduction of adverse impact on the environment;
- Increasing energy efficiency for production processes at all stages;
- Pollution prevention, which means the priority of preventive actions to avoid adverse impact on the environment;
- Involvement of all Company personnel in activities to reduce environmental risks;
- Improving the environmental management system and improving production indicators in the field of environmental protection.

A practical tool for implementing the sustainable development principles in the field of environmental protection is the environmental management system operating in the Company, certified for compliance with the requirements of international standard ISO 14001.

As part of the requirements of environmental legislation, the Company carries out operational environmental monitoring at its facilities, which ensures compliance with established standards and the conservation of natural resources.

Significant attention in the environmental management system at OJSC Severneftegazprom is paid to constant monitoring of key environmental indicators in the area of operation of the main production facilities. The Company carries out operational environmental monitoring in accordance with the Program for Environmental Monitoring of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field Territory for the period 2016-2020, which ensures the assessment of the anthropogenic load on the environment and the obtaining of objective information about its condition.

The results of these studies show that there were no signs of environmental degradation as a result of the Company's production activities during the reporting period. The ecological state of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field territory remains stably favorable.

THE FORECAST FOR THE FUTURE IS OPTIMISTIC – THE CALCULATIONS MADE SUGGEST THAT A STABLE ENVIRONMENTAL SITUATION WILL REMAIN IN THE FIELD IN THE MEDIUM TERM. THE LIKELIHOOD OF MAINTAINING THE CURRENT FAVORABLE CONDITION AGAINST THE BACKDROP OF THE CURRENT LEVEL OF ANTHROPOGENIC LOAD AND THE ABSENCE OF EMERGENCIES, TO THE PREVENTION OF WHICH THE COMPANY CONSTANTLY DEDICATES SIGNIFICANT EFFORTS, IS ASSESSED AS HIGH.



POLLUTANT EMISSIONS

One of the significant areas of environmental activities of OJSC Severneftegazprom is air protection.

At the end of 2019, the total mass of pollutant emissions amounted to 3.003 thousand tons (including 2.991 thousand tons of YROGGCF emissions), which is 0.437 thousand tons more than in 2018. This is due to increased fuel gas consumption for compressing*.

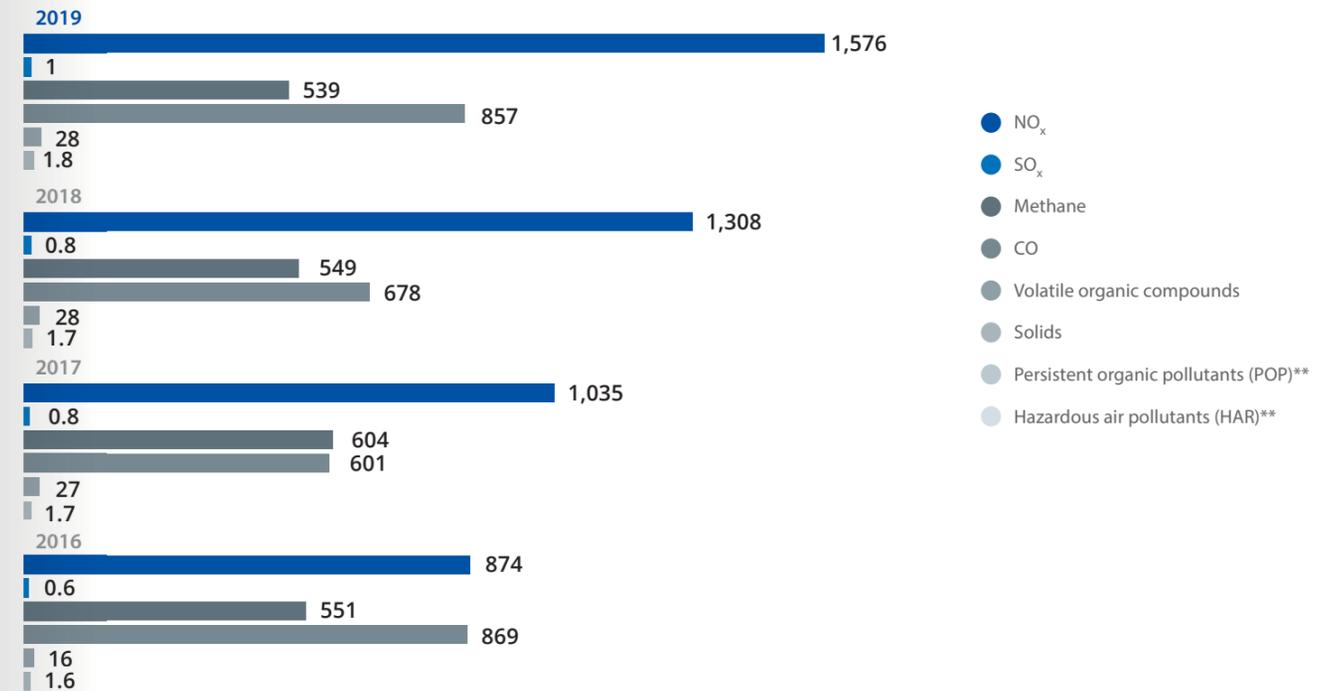
The company regularly conducts research on the assessment and accounting of GHGs emissions. Direct emissions include emissions from sources owned by the

Company. The volume of direct GHGs emissions amounted to 477.264 thousand tons in CO₂ equivalent in 2019.

Indirect emissions come from sources belonging to other organizations. Under the current legislation, the Company does not need to record indirect emissions. The Company applies the methods of the labor protection management system of Wintershall Dea GmbH for calculation of indirect emissions, according to which no indirect emissions were recorded in the reporting period. This methodology involves accounting for indirect greenhouse gas emissions only at production facilities.

In accordance with the Environmental Policy, one of the obligations voluntarily taken by OJSC Severneftegazprom is the implementation of all possible measures aimed at preventing

STRUCTURE OF POLLUTANT EMISSIONS, T



* Compressing is the technology of industrial processing and preparation of gas (gas compression), increasing the gas pressure using a compressor.

** POP and HAP are not emitted.



adverse environmental impact. Reducing GHGs emissions to mitigate the effects of climate change is recognized by the world community as one of the priority tasks.

The Company is working on the reduction of GHGs emissions into the air. The innovative projects developed and implemented by the specialists of OJSC Severneftegazprom ensured a significant reduction in GHGs emissions.

Due to the innovative activities of the employees of OJSC Severneftegazprom, it was possible to avoid additional direct GHGs emissions of methane in the amount of 34.225 thousand tons in CO₂ equivalent.

Following the production control and laboratory studies, excesses of the established standards for maximum permissible emissions for all emissions sources were not registered in 2019.

Accidental emissions of pollutants into the environment also did not occur.

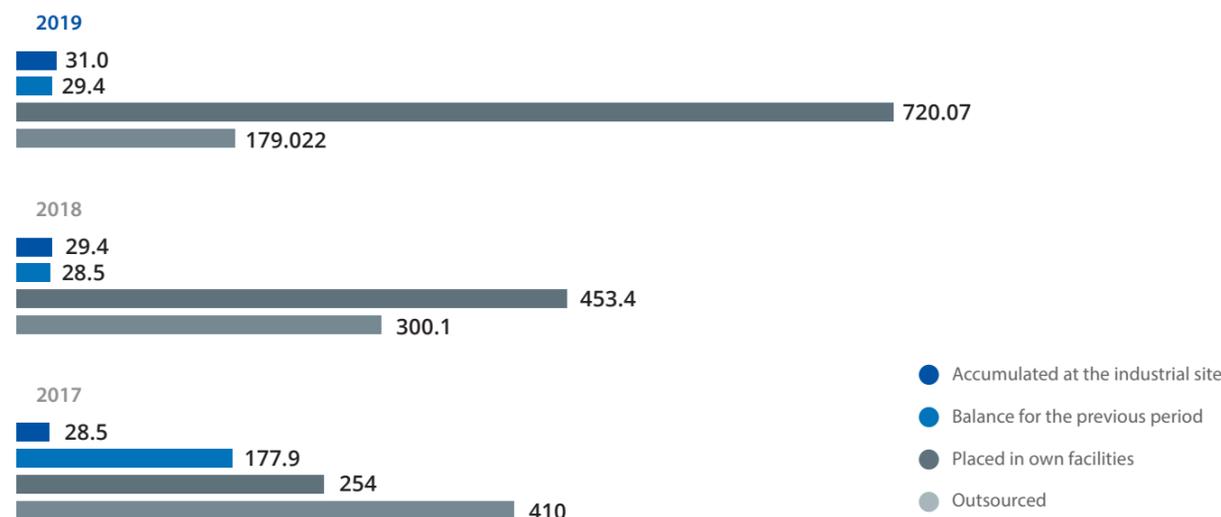
WASTE MANAGEMENT

When implementing environmental programs, much attention is paid to waste management. In carrying out its production activities, OJSC Severneftegazprom seeks to implement the most advanced practices and technologies for minimizing the amount of waste generated and is steadily improving its methods of disposal and processing.

THE TOTAL MASS OF WASTE GENERATED IN 2019 WAS

901 TONS

MASS OF HAZARDOUS AND NONHAZARDOUS WASTE OF THE COMPANY FOR THE PERIOD 2017–2019, T



The total mass of waste generated in 2019 amounted to 901 tons. The increase in waste generation is associated with the planned decommissioning of material and technical equipment unsuitable for further use, an increase in the amount of cake during the operation of the Flotvegg sewage treatment plant, upgrading the existing, and construction of new field development facilities.

In accordance with the concluded agreements, wastes of I-IV hazard classes that are not subject to waste disposal, as well as wastes of V hazard class, which are secondary resources, were transferred to third parties for the use, disposal, or recycling.

During 2019, the following wastes were delivered: I hazard class — 0.166 t; II hazard class — 15.125 tons; III hazard class — 18.823 tons; IV hazard class — 99.2 tons; V hazard class — 45.7 tons. Data includes 29.334 tons of waste accumulated in 2018.

The Company's income from the sale of waste for further disposal amounted to RUB 679 thousand.



LAND RECLAMATION

To reduce the impact of production activities on the soil cover, OJSC Severneftegazprom seeks to ensure maximum effective implementation of a set of measures for environmental restoration. The Company carries out regular reclamation of temporarily occupied lands, aimed at restoring their original condition.

IN 2019, THE COMPANY CARRIED OUT MEASURES FOR THE RECLAMATION OF DISTURBED LANDS WITH AN AREA OF

7 HECTARES

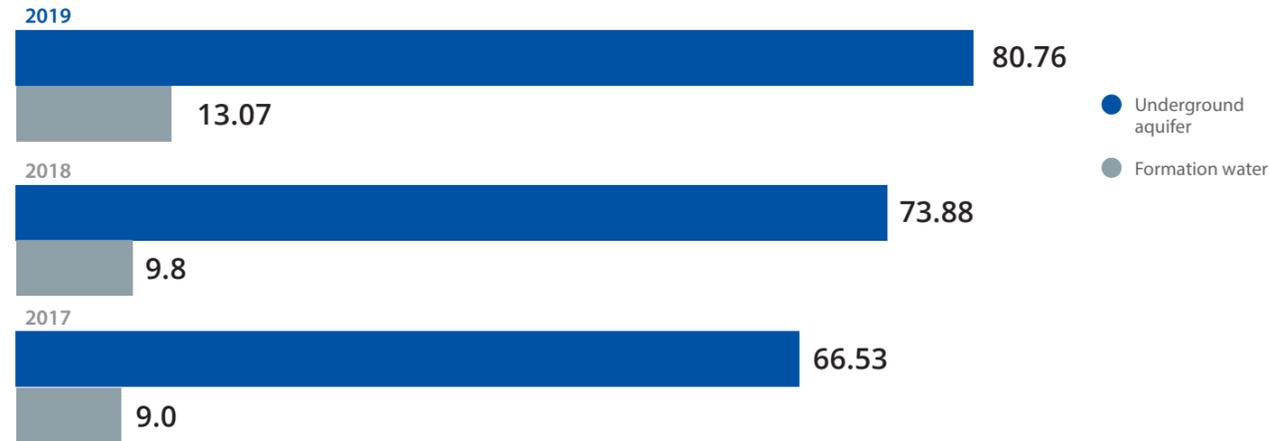
WATER SUPPLY

Water resources of Russia are estimated as one of the largest in the world, but this does not relieve domestic gas companies from their obligations on conservation of water resources.

To meet its production and business needs, the Company extracts water from the underground horizon. Water is not taken from surface water bodies. In the reporting period, 93.83 thousand m³ of water was extracted from underground sources. Of these, 80.76 thousand m³ accounted for the subsurface water horizon, and 13.07 thousand m³ was the water extracted along with natural gas (condensate).



DYNAMICS OF GROUNDWATER EXTRACTION FOR THE PERIOD FROM 2017 TO 2019, THOUSAND M³



The Company uses a recycled water supply system that allows for reuse of purified water. This system is equipped with sports and recreational facilities and utility facilities operated on the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field territory. As a result of its use, the total volume of water reused in 2019 amounted to 809.54 thousand m³.

In general, the volume of wastewater discharged into the absorbing horizon for the reporting period amounted to 80.21 thousand m³, which is fully consistent with the technological design, including produced water without use — 13.07 thousand m³, domestic and industrial wastewater — 67.14 thousand m³.

The company regularly conducts laboratory and instrumental control of surface, underground, groundwater, and wastewater.

Sewage is carried out into the Cenomanian aquifer by pumping wastewater into disposal wells at a sewage injection site. Before injection, domestic wastewater is treated at the AE-150B domestic wastewater treatment plant with a capacity of 150 m³/day, industrial wastewater is treated at the Flottweg sewage treatment plant, with a maximum capacity of 15 m³/h. The quality of wastewater treatment sent to the injection meets the established requirements.



THE COMPANY'S KEY PERFORMANCE INDICATORS IN THE FIELD OF ENVIRONMENTAL PROTECTION

№	INDICATOR	UNIT	2019	2018	DEVIATION FROM 2018	
			CURRENT	CURRENT	+/-	+/-, %
1	Gross emissions of harmful substances into the atmosphere — total	thousand tons	3.003	2.566	+0.437	+17
	Including:					
	within the standards	thousand tons	3.003	2.566	+0.437	+17
	above the standards	thousand tons	0	0	0	0
	Including: methane CH ₄ emissions		0.538	0.549	-0.011	-2
2	Specific NOx emissions (gross NOx emissions per unit of fuel gas)	thousand tons/million m ³	0.000063	0.000052	+0.000011	+21
3	Total water withdrawal (water taken and received)	thousand m ³	99.74	90.13	+9.6	+11
4	Wastewater, total	thousand m ³	86.12	80.51	+5.6	+7
5	Waste generated per year — total	thousand tons	0.901	0.754	+0.147	+19
6	Share of waste directed for disposal (% of the amount generated for the reporting period, taking into account the existence at the beginning of the year)	%	85.38	65.77	+19.6	+30
7	Area of reclaimed land per year	ha	7	2.4	+4.6	+192
8	Environmental protection expenses	thousand rubles	166,427	195,358	-28,931	-15
9	Current (operational) costs of environmental protection measures	thousand rubles	59,685	56,229	+3,456	+6
10	Costs of environmental services, including land protection and reclamation	thousand rubles	106,344	80,172	+26,172	+33
11	Costs of development and approval of environmental documentation	thousand rubles	3,511	422	+3,089	+732
12	Costs of operational environmental control and monitoring	thousand rubles	3,272	2,290	+982	+43
13	Costs of overhaul of the fixed assets for environmental protection	thousand rubles	0	0	0	0
14	Fee for adverse impact on the environment, thousand rubles	thousand rubles	398	308	+90	+29
	Including:					
	within the limits	thousand rubles	398	308	+90	+29
	for excess impact	thousand rubles	0	0	0	0
15	Investments in fixed assets (development) aimed at protecting the environment	thousand rubles	0	58,632	-58,632	-100
16	Number of inspections of state environmental authorities	units	3	7	-4	-57
17	The number of violations of environmental legislation (according to acts of inspections of state environmental authorities)	units	0	7	-7	-100
18	Fines paid for violation of environmental legislation	thousand rubles	0	0	-	-
19	Environmental claims filed	units	0	0	-	-
	Including:					
	as a result of accidents	units	0	0	-	-
20	Environmental damage claimed	thousand rubles	0	0	-	-
	Including:					
	as a result of accidents	thousand rubles	0	0	-	-



Energy consumption and energy saving

To reduce energy consumption, the Company regularly conducts research and activities to introduce energy-saving technologies and increase energy efficiency.

In 2019, an external supervisory audit of the energy management system was successfully passed for compliance with the requirements of international standard ISO 50001, according to the results of which the system was recognized as effective, no inconsistencies were revealed by the auditors. The system is focused on ensuring the continuous improvement of consumption indicators, more efficient use of available energy sources, reduction of GHGs emissions, and other environmental impacts. The scope of the energy management system covers the main and auxiliary processes of production, preparation, and sale of hydrocarbons.

Energy efficiency improvement activities at OJSC Severneftegazprom are regulated by the Regulation on the Energy Management System as well as the Energy Policy which formulates strategic goals. The main lines of activities to improve energy efficiency, as well as specific tasks and indicators expected to be achieved in 2019–2021, are outlined*.



ENERGY CONSUMPTION

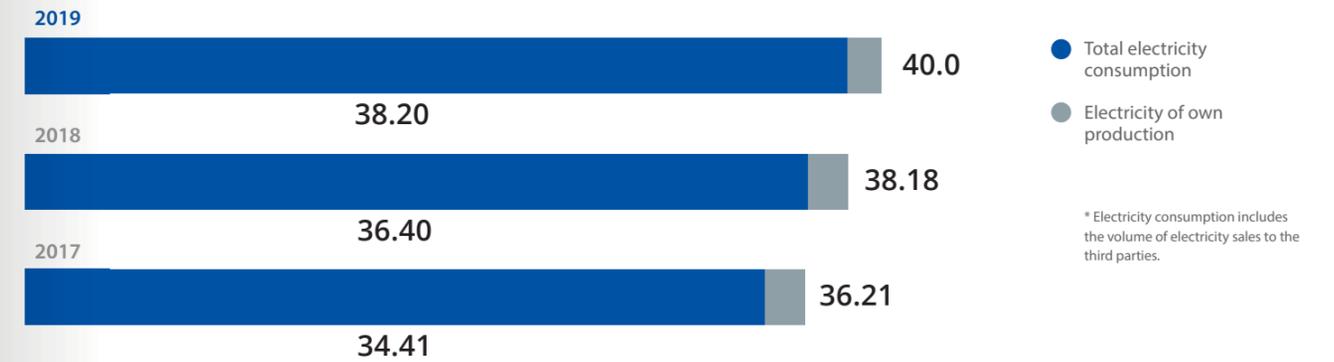
In 2019, as part of the energy management system, the Company implemented measures to reduce energy consumption by replacing spotlights with arc sodium lamps for LED spotlights.

IN 2019, THE COMPANY SAVED MORE THAN 10,700 KWH

* The energy policy of OJSC Severneftegazprom is open and accessible to all stakeholders on the Company's website (www.severneftegazprom.com).



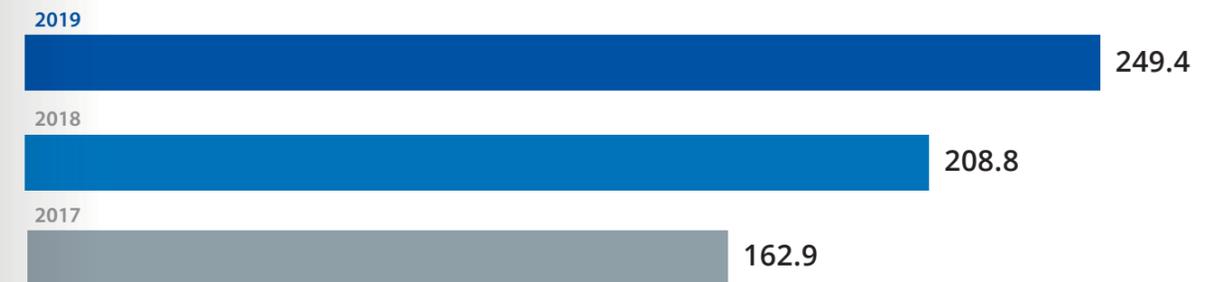
ELECTRICITY CONSUMPTION, MLN KWH



The increase in electricity consumption compared to the indicators for 2018 was due to the need for power supply to capital construction facilities and contractor carriages.

As one of the leading gas producing companies, OJSC Severneftegazprom sets a goal to minimize natural gas consumption during its production.

NATURAL GAS CONSUMPTION, MLN M³

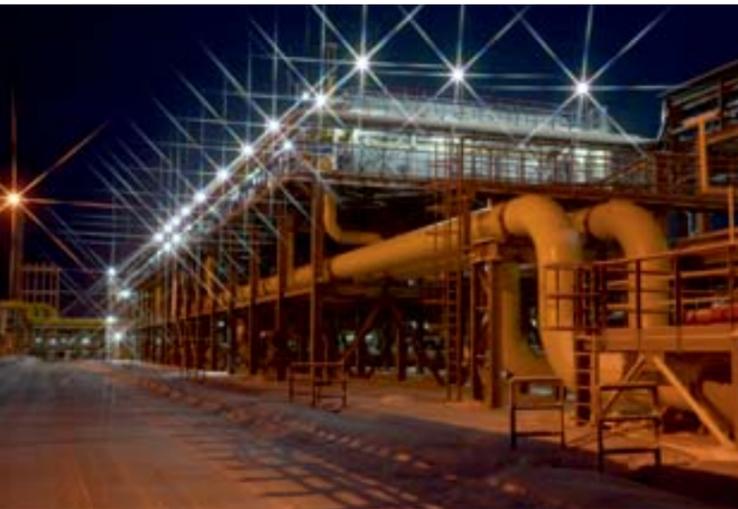


The increase in gas for own consumption in 2019 is due to a decrease in reservoir pressure and an increase in fuel gas volumes for compressing for BCS.

HEATING ENERGY CONSUMPTION, THOUSAND GCAL



The decrease in heating energy consumption compared with the indicators for 2018 was due to the increased average annual ambient temperature.



REDUCTION OF ENERGY CONSUMPTION

To increase energy efficiency, OJSC Severneftegazprom carries out a set of organizational, economic, and technological measures aimed at increasing the value of conservation of energy resources in the manufacturing sector.

In its activities, the Company sets goals to reduce the amount of energy consumed and to reduce the environmental impact, which was the reason for OJSC Severneftegazprom to develop and approve the Program for Energy Saving and Energy Efficiency OJSC Severneftegazprom, as well as Goals and objectives in the field of energy management system.

In order to reduce the amount of energy consumed, OJSC Severneftegazprom takes measures aimed at:

Effective approach and improvement related to the energy saving programs;

Use of advanced technologies to minimize the environmental impact of production.

INDICATORS OF THE IMPLEMENTATION OF THE COMPANY'S ENERGY SAVING PROGRAM FOR 2019

MAIN MEASURES	SAVING OF FUEL AND ENERGY RESOURCES AS A RESULT OF THE IMPLEMENTATION OF THE ENERGY SAVING PROGRAM AND INCREASING ENERGY EFFICIENCY					
	NATURAL GAS, MLN M ³		HEATING ENERGY, GCAL		ELECTRICITY, MLN KWH	
	PLAN	CURRENT	PLAN	CURRENT	PLAN	CURRENT
Reducing technological losses of natural gas during well surveying (gas well stock)	1.9206	2.2084	-	-	-	-
Reducing natural gas losses during purification of infield pipelines	0.0024	0.0024	-	-	-	-
Reducing natural gas losses from emptying process equipment	0.0081	0.1097	-	-	-	-
Replacement of spotlights with arc sodium lamps by LED spotlights	-	-	-	-	0.007	0.010
Total	1.9311	2.3205	-	-	0.007	0.010

Personnel and production safety

OJSC SEVERNEFTEGAZPROM CONSIDERS OCCUPATIONAL AND INDUSTRIAL SAFETY AS KEY FACTOR FOR THE SUSTAINABLE DEVELOPMENT OF ITS BUSINESS AND AS THE MOST IMPORTANT COMPONENT OF CORPORATE SOCIAL RESPONSIBILITY TO BOTH THE PRESENT AND THE FUTURE GENERATIONS.

Particular attention at OJSC Severneftegazprom is paid to creating an effective industrial and occupational safety management system. This is primarily due to the fact that modern gas fields are complex, potentially hazardous production facilities and the risks of various accidents and emergencies at such facilities are fraught with serious consequences.

For this purpose, the Company introduced and effectively operates an integrated management system in the field of quality assurance, environmental protection, industrial safety based on international standards ISO 14001, ISO 9001, ISO 45001:2018. Based on these standards, since 2009, OJSC Severneftegazprom has implemented a Policy in the Field of Quality Assurance, Environmental Protection, Occupational Health, and Safety*. The document defines the core principles for ensuring environmental conservancy, protecting the health of employees and occupational safety.

* The policy in the field of quality assurance, environmental protection, occupational health, and safety is open and accessible to all stakeholders on the Company's website on the Internet (<http://www.severneftegazprom.com>).



Due to the implementation of this policy, OJSC Severneftegazprom ensures efficient and trouble-free operation of all production facilities and objects, implements a systematic approach to managing safety issues, and continuously improves activities in this area. In 2019, the Policy in the field of quality assurance, environmental protection, occupational health, and safety was updated.

In 2019, the Company introduced the requirements of the international standard in the field of operational safety management system ISO 45001: 2018, on November 1, 2019, the certification audit of SMPS was successfully completed, there were no inconsistencies, the certificate of compliance was issued to a Company.

In accordance with the approved action plan for the implementation of the international standard in the field of road safety management system ISO 39001:2012, employees were trained and an evaluation audit of the system was conducted. Activities ensuring the implementation of the standard are carried out as scheduled.

The certification of the road safety management system is planned for December 2020.



THE CORE PRINCIPLES OF THE COMPANY'S ACTIVITIES IN THE FIELD OF PRODUCTION SAFETY:

- LEADERSHIP OF THE COMPANY'S MANAGEMENT IN THE INDUSTRIAL SAFETY MATTERS;
- AN EFFECTIVE HAZARD IDENTIFICATION AND RISK MANAGEMENT PROCESS;
- ADVANCED TRAINING AND KNOWLEDGE TESTING FOR EMPLOYEES;
- PREVENTIVE MEASURES AGAINST INDUSTRIAL ACCIDENTS;
- COMPLIANCE WITH LAWS, REGULATIONS, AND OTHER REQUIREMENTS;
- IMPROVEMENT OF EXISTING PRODUCTION PROCESSES, INTRODUCTION OF NEW SAFE TECHNOLOGIES;
- USE OF MODERN PERSONAL PROTECTIVE EQUIPMENT;
- ACTIVE STAFF INVOLVEMENT IN ENSURING OCCUPATIONAL SAFETY AND HEALTH;
- APPLICATION OF BEST INTERNATIONAL PRACTICES AND STANDARDS;
- INFORMATION AVAILABILITY AND TRANSPARENCY;
- INFORMING CONTRACTORS ABOUT NORMS, POLICIES, AND REQUIREMENTS IN THE FIELD OF OCCUPATIONAL SAFETY, MONITORING IMPLEMENTATION THEREOF.

OCCUPATIONAL SAFETY

The health and life of employees, decent working conditions are the key priority for the management of OJSC Severneftegazprom. That is why the occupational safety management system is built in the Company in strict accordance with the requirements of Russian legislation and international standards.

The Company has created conditions under which the impact of harmful or hazardous production factors on a person is excluded or does not exceed acceptable standards. The application of a systematic approach based on regular analysis of working conditions and monitoring the state of the working environment allows for timely identification of potential risks, hazardous actions of personnel, and workplaces with harmful working conditions.

The integrated management system of OJSC Severneftegazprom in the field of occupational and industrial safety has been certified for compliance with BS OHSAS 18001 standards since 2010, and for compliance

with ISO 45001:2018 requirements since November 1, 2019. Every year, the Company approves an internal audit program, within the framework of which it confirms compliance with the specified standard of business processes in the Company, and evaluates the effectiveness of the integrated management system and efforts to improve it.

The management system compliance with international requirements is confirmed by supervisory audits on a regular basis. Thus, in October 2019, Limited Liability Company for Certification of Management Systems DQS (representative of the international certification agency DQS, Germany) conducted an audit in OJSC Severneftegazprom for recertification of the integrated management system in the field of quality assurance, environmental protection, occupational health, and safety (IMS) — for compliance with the requirements of international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, — and the energy management system — for compliance with the requirements of international standard ISO 50001:2011.



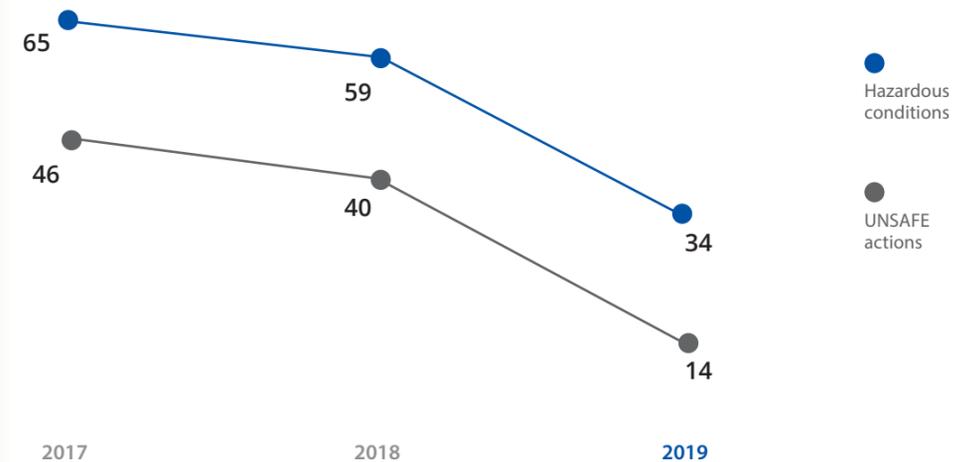
During the audit, the effectiveness of the management systems at OJSC Severneftegazprom was assessed and areas for improvement were identified. No inconsistencies recorded.

To increase the responsibility of personnel in matters of maintaining safety at the workplace and preventing injuries, the Company has introduced a procedure for conducting behavioral safety audits. Work in this area allow to detect and prevent hazardous activities of employees, evaluate the effectiveness of activities in the field of occupational and industrial safety as well as stimulate and maintain strict compliance with all the required safety standards and rules.

According to the 2019 results, 1,463 behavioral safety audits were conducted by authorized officers and specialists of the Company, while 48 hazardous conditions and staff actions were identified. The results of behavioral audits are analyzed, corrective and preventive actions are developed.

Routine conduct of behavioral safety audits allows increasing the responsibility of work performers, reducing potentially dangerous conditions and staff actions, and as a result, having a positive effect on raising the safety level at the workplace as a whole throughout the Company.

DYNAMICS OF THE NUMBER OF REGISTERED HAZARDOUS CONDITIONS AND UNSAFE ACTIONS OF STAFF FOR 2017–2019



INJURIES OF PERSONNEL CATEGORY	2015	2016	2017	2018	2019
Minor industrial injuries of personnel	0	0	0	0	1
Serious injuries of personnel	0	0	0	0	0
Fatal injuries of personnel	0	0	0	0	1
TOTAL	0	0	0	0	2



The registration of industrial accidents is performed in accordance with Decree № 73 of the Ministry of Labor of the Russian Federation On Approval of the Forms of Documents Required for the Investigation and Registration of Industrial Accidents and the Regulation on Peculiarities of the Investigation of Industrial Accidents in Individual Industries and Organizations dated October 24, 2002.

Based on the results of the investigation of an industrial accident, the Company developed and carried out corrective actions aimed at eliminating the causes and preventing their occurrence.

To strengthen preventive work to prevent accidents and hazardous working conditions at work, to increase the level of labor safety at hazardous production facilities, the Company introduced a system for monitoring the safety of working conditions by OJSC Severneftegazprom employees using SOS observation cards since March 2015.

Due to the use of this system by the Company's employees, 10 inconsistencies were identified and 12 proposals were

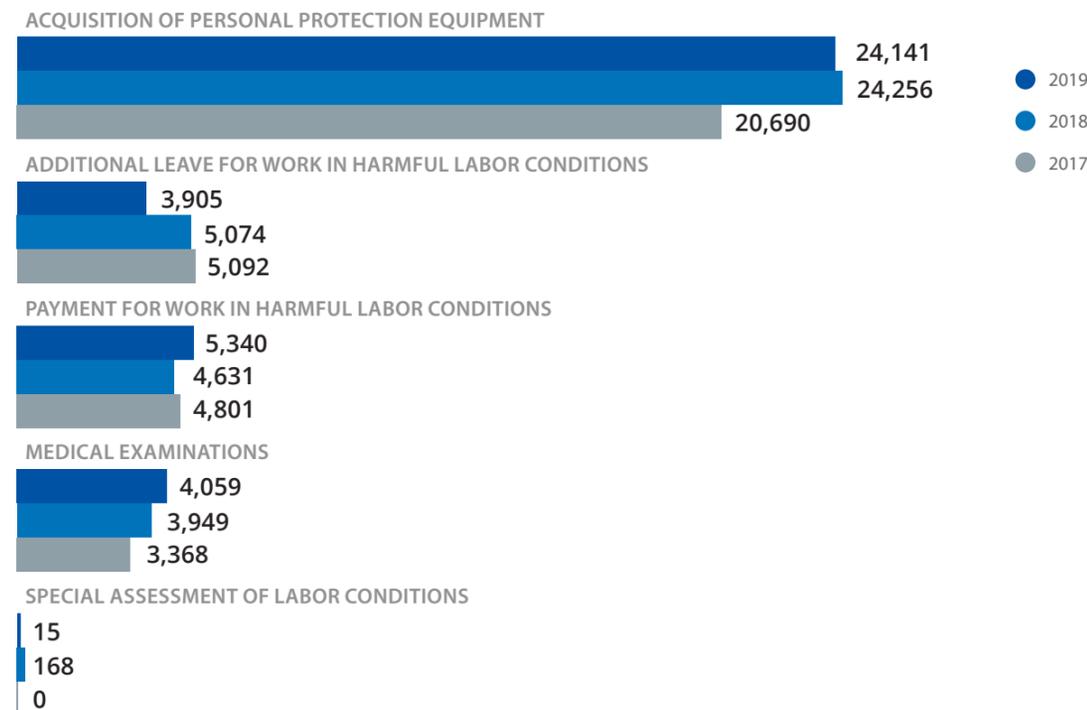
made to improve labor protection and safety conditions in 2019. All discrepancies were resolved, and the proposals were implemented in due course.

In accordance with the current legislation of the Russian Federation, the Company is working on the identification of dangerous and harmful production factors at workplaces through a special assessment of working conditions.

All Company employees engaged in works with harmful or hazardous working conditions, as well as works performed in special temperature conditions and associated with pollution, are provided with special clothing, footwear, and other personal and collective protective equipment (PPE), as well as washing and neutralizing means.

In the reporting period, labor safety expenses amounted to RUB 37,460 thousand, while most costs, as in previous years, were spent on the purchase of personal protective equipment.

COST STRUCTURE FOR LABOR PROTECTION, THOUSAND RUBLES



INDUSTRIAL AND FIRE SAFETY

Trouble-free production activities are possible only under the condition of strict observance for the norms and rules of safety*. and fire safety — the Company management follows this principle.

The Company has a document outlining the principles for implementing the policy of OJSC Severneftegazprom in the field of industrial safety. The implementation of these principles ensures an integrated management approach to the safety of complex technological processes and reduces the risk of accidents and incidents.

THE CORE PRINCIPLES OF THE COMPANY'S ACTIVITIES IN THE FIELD OF INDUSTRIAL SAFETY:

- COMPLIANCE WITH FEDERAL LAW № 116 ON INDUSTRIAL SAFETY OF HAZARDOUS PRODUCTION FACILITIES AND OTHER REGULATIONS;
- TAKING MEASURES TO PROTECT THE HEALTH AND LIFE OF EMPLOYEES IN THE EVENT OF AN ACCIDENT AT A HAZARDOUS PRODUCTION FACILITY;
- TRAINING AND CERTIFICATION OF EMPLOYEES;
- EXPERT EXAMINATION OF INDUSTRIAL SAFETY OF BUILDINGS, STRUCTURES, AND TECHNICAL DEVICES USED AT A HAZARDOUS PRODUCTION FACILITY;
- ARRANGEMENT AND IMPLEMENTATION OF INDUSTRIAL CONTROL OVER COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS BY EMPLOYEES AND CONTRACTORS;
- PARTICIPATION IN THE INVESTIGATION OF THE CAUSES OF ACCIDENTS AT A HAZARDOUS PRODUCTION FACILITY.

As part of the integrated Company management system, work is underway in all structural subdivisions to identify hazards affecting the health and safety of employees and to assess risks. The results of the assessment procedures minimize the likelihood of threats to the lives of employees and prevent the possibility of accidents.

Since 2007, the Company has been applying an administrative and production control system over compliance with labor protection and industrial safety requirements, regulated by specially developed Internal Regulations in accordance with the legislation of the Russian Federation. Inspections in this area are conducted at four levels by the Central Standing Commission of Administrative and Production Control for Labor Protection and Industrial Safety in accordance with the approved schedule. Meetings of the CPC for labor protection and Safety are held at least twice a year. Inspections can be conducted more often, based on the emerging need, and represent a set of organizational and technical measures aimed at compliance with industrial safety requirements, prevention of accidents, and ensuring readiness to localize their consequences.

In 2019, the 4th level of the CPC for Labor Protection and Industrial Safety conducted 6 checks: 4 target and 2 integrated. 99 violations were identified, which were eliminated in a timely manner.

9 hazardous production facilities (HPF) operate at the Company at present time. All of them have compulsory liability insurance for damage resulting from an accident or incident. In addition, all workers operating hazardous production facilities are certified in the field of industrial safety.

Plans for localization and liquidation of accident consequences (hereinafter referred to as "PLC") have been developed for the Company's hazardous production facilities. In accordance with the approved schedule, training sessions are constantly held to work out the situations presents in the PLC.

The Company timely provides information on the results of industrial control over compliance with industrial safety requirements for hazardous production facilities to the North Ural Department of the Federal Service for Ecological, Technological, and Nuclear Supervision.

In accordance with the requirements of the legislation of the Russian Federation in the field of fire safety, the Company has created a fire safety system, which includes a fire prevention system, a fire protection system, a set of organizational and technical measures ensuring fire safety.

* The statement on the policy of OJSC Severneftegazprom in the field of industrial safety is open and accessible to all stakeholders on the Company's website (www.severneftegazprom.com).



As part of the of the fire safety system at OJSC Severneftegazprom the following main activities in the field of fire safety were performed in 2019:

- Ensuring compliance with fire safety requirements at the Company's facilities and at leased Areas of the forest fund;
- Development and implementation of fire safety measures by issuing (updating) local regulatory acts of the Company in the field of fire safety;
- Carrying out fire propaganda and training Company employees in fire safety measures;
- Maintenance of fire protection systems and means, including primary fire extinguishing means in good working order;
- Ensuring the activities of the corporate fire department for protecting the facilities at the Yuzhno-Russkoye Oil and Gas Field from fires;
- Monitoring compliance with fire safety requirements by employees of contracting organizations in places of residence and work at the Company's facilities;
- Implementation of the volunteer fire department activities.

To ensure the fire safety for production facilities and implement the necessary regulatory requirements, the Company organized a corporate fire department (CFD). Its activities are aimed at preventing for ensuring fire safety, updating regulatory documents, monitoring compliance

NUMBER OF HPF BY HAZARD CLASSES, PCS.



with fire safety requirements, and analyzing the implementation of fire prevention measures.

During 2019, in accordance with the approved plans and schedules, a set of measures were taken to maintain the readiness of the unit, including participation in the development of an emergency response plan, firefighting plans, and fire-tactical exercises were held. The service is carried out at the posts and routes of patrols.

The management of the Company pays special attention to organizational and technical measures to ensure fire safety; for all facilities, instructions on fire safety measures have been developed (updated). The procedure for the organization and safe conduct of hot work at the Company's facilities is regulated.

Seasonal maintenance of firefighting machinery, firefighting equipment, and tools is organized and is being carried out. Seasonal inspections were carried out for the water yield of the fire water supply systems of the Company's facilities. High-quality and timely maintenance of fire-technical equipment and primary fire fighting equipment allows keeping them in good working order and continued readiness.

Maintenance and preventive maintenance of automatic fire extinguishing installations and fire alarms are carried out under an agreement by an organization licensed by EMERCOM of Russian for this type of activities. The Commission of the Company carries out quarterly performance checks of fire protection systems. All fire protection systems of the Company's facilities are in working condition and comply with project documentation.

In 2019, in accordance with the approved schedule and work plans, 8 meetings of the Fire Safety Commission were held. The results of work of the Fire Safety Commission are drawn up in relevant acts (8 acts), which reflect measures to improve and strengthen fire safety at the Company's defense facilities (50 measures), as well as to create fire-safe working conditions, and define deadlines and responsible executors. Activities are carried out as scheduled.

To ensure readiness for use of primary fire extinguishing means (fire extinguishers), corporate fire department employees carried out repairs and reloading of 103 carbon dioxide and 235 powder fire extinguishers at the Company's facilities.

During the year, 23 practical training sessions were conducted to organize the evacuation of people from buildings with a mass stay of people, during which assessments were made for the actions of personnel on duty. 53 classes on training in the fire-technical minimum

were organized and conducted as a result of which 443 employees passed training and knowledge testing.

Industrial control is carried out to ensure compliance by contractors with fire safety requirements when performing works or providing services at the Company's facilities. During the year, 96 inspections of the fire safety condition at the places of residence for employees of contracting organizations, at the sites of construction and installation works on the territory of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field were carried out. During the inspections, 259 violations of fire safety requirements were identified; according to the results of the inspections, 35 instructions for eliminating the revealed violations were prepared and presented. In 16 cases, contracting organizations were fined for a total of RUB 4,360 thousand, for violations of fire safety requirements during their work.

Work was organized to review the design and working documentation for the Company's facilities for compliance with fire safety requirements. Constant monitoring is being conducted concerning the implementation of firefighting measures during the construction and commissioning of facilities.

On the basis of the corporate fire department, an emergency rescue unit of OJSC Severneftegazprom composed of 48 people, 46 of whom were certified as rescuers, was created and certified in the prescribed manner to conduct gas rescue and emergency rescue operations related to extinguishing fires.

OJSC Severneftegazprom adopted the facility program "Ensuring Fire Safety in Leased Forest Areas for the Period 2017-2019," approved measures for the spring-summer fire hazard period, determined the procedure for attracting forces and funds to take measures to prevent the spread of forest fires. The program activities planned for 2019 have been fully implemented.

To promptly take measures to prevent the spread of forest fires on leased Areas of the forest fund, a volunteer fire department was created in the Company. Volunteer firefighters received the required education and training.

In accordance with the requirements of forest development projects in the forest fund areas leased by the Company, fire prevention measures were taken, including the establishment of firefighting equipment concentration points, along the perimeter of objects bordering the forest areas, laying of saline strips is carried out, and billboards on firefighting topics have been established within forest areas.



In the reporting period, no natural fires were registered on the territory of the OJSC Severneftegazprom licensed Area.

As part of the program implementation to achieve the goals and objectives of OJSC Severneftegazprom in the field of quality, environmental protection, industrial safety for 2019–2023, the required number of personal protective equipment for people in case of fires was calculated to equip the Company's facilities, according to which it is planned purchase and placement of 423 units of personal protective equipment for people in case of fire at defense facilities for 2020.

In 2019, an expert organization accredited by EMERCOM of Russia conducted an independent fire risk assessment (fire safety audit) of the Company's facilities. The compliance of all facilities with fire safety requirements was confirmed, and positive conclusions were obtained.

FIRE SAFETY EXPENSES IN 2019 AMOUNTED TO 49,923 THOUSAND RUB



Inspections by EMERCOM of Russia regarding the OJSC Severneftegazprom facilities were not conducted in 2019. Instructions to eliminate violations of fire safety requirements by supervisory authorities were not issued.

No fires or combustion occurrence were registered at the Company's facilities.

STAFF TRAINING AND TESTING

High production efficiency is only possible under the condition of continuous staff development and knowledge in the field of safe working methods since the efficient and trouble-free operation of equipment directly depends on the employees' competence level. That is why OJSC Severneftegazprom organizes regular training in and testing its employees' knowledge of labor protection and industrial safety.

carried out for working personnel in related professions and classes on the subject of obtaining permits required for the performance of certain types of work.

The number of managers and specialists who have passed knowledge testing on labor protection and certification according to the general rules of industrial safety and types of supervision is given in the table below.

It is important to note that training and assessing the Company employees' expertise in the field of labor protection and industrial safety not only contribute to their professional and personal growth, but also ensure trouble-free, safe, and therefore stable and cost-effective functioning of all OJSC Severneftegazprom production facilities and objects.

In the reporting period, vocational training and certification was carried out in accordance with the Program of Training and Testing of Managers' and Specialists' Knowledge of the Labor Protection and Industrial Safety Requirements, approved by the General Director of the Company, as well as using the OLIMPOKS training program. In addition, complementary training was

NUMBER OF MANAGERS AND SPECIALISTS WHO PASSED THE KNOWLEDGE TEST, PERSONS

NAMES OF TYPE OF CERTIFICATION	PLAN	CURRENT	ADDITIONALLY TRAINED OVER AND ABOVE THE PLAN (DUE TO EMPLOYMENT, REASSIGNMENT TO ANOTHER POSITION, VACATION LEAVE, ETC.)
Labor protection	221	283	62
Industrial safety	41	111	70

Staff and Social Policy

The foundation of the high achievements of OJSC Severneftegazprom is a highly qualified close-knit team. The company is building a system of work with personnel based on observing the rights of each employee, following international standards on wages, working hours, labor protection, and social insurance.

The Company is working to engage and retain highly qualified employees and to create a personnel reserve taking into account the strategic objectives of the Company.

OJSC Severneftegazprom is fully aware of its responsibility for ensuring trouble-free production activities, safe working conditions for workers and contractors as well as for maintaining the health of the population living in the regions where the Company operates. All this strengthens the team spirit, rallies employees and provides the Company with high production results.

HEADCOUNT AND PERSONNEL STRUCTURE

Investing in human capital is the basis for the sustainable development of OJSC Severneftegazprom in the future. The Company constantly strives to engage and retain qualified personnel aimed at achieving high results and development together with the Company, to form a team united by common aspirations and values. The personnel policy of OJSC Severneftegazprom harmoniously combines the professionalism and skill of experienced workers with the initiative of young professionals.

The operational activities of the Company are concentrated on the territory of the Yamal-Nenets Autonomous District, which is distinguished by a developed fuel and energy complex and a competitive labor market of highly qualified specialists. To ensure the production process at the facilities of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field, the shift method of organizing work is applied. This approach is the most common and appropriate in remote areas with difficult climatic conditions. The share of the shift workers of OJSC Severneftegazprom amounted to 60% (624 persons) in 2019.



1,044 PERSONS

WERE INCLUDED IN THE COMPANY STAFF AT THE END OF THE REPORTING PERIOD

In total, 999 persons worked at the end of the year in the Arctic (196 women and 803 men).

The total headcount of employees at the end of the reporting period was 1,044 persons, the average headcount was 1,032 persons, which corresponds to the indicator for 2018 (1,032 persons).

The Company strives to create the most comfortable working conditions, which is reflected in the acceptable indicator of staff turnover for the reporting year — 3.88%. The calculation of the staff turnover rate is carried out in accordance with the practice that has been developed in the system of PJSC Gazprom*.

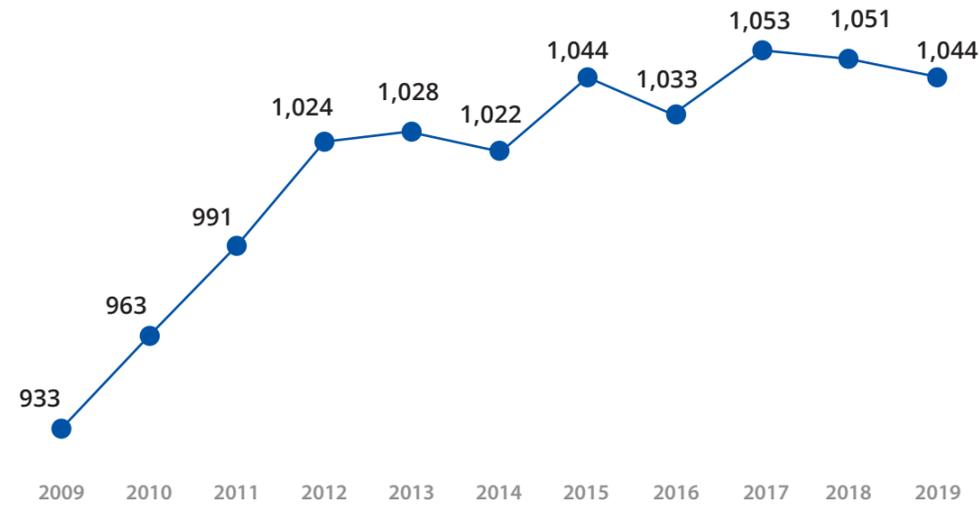
The age distribution of OJSC Severneftegazprom employees is fairly even. The average age of employees is 42 years, youth under the age of 35 years — 241 persons, working pensioners — 135 persons.

As of the end of 2019, the overall staffing of the Company was 89%.

* Instructions for Filling Out Forms of Industry-Specific Statistical Reporting on the Number, Composition, and Movement of Employees by Subsidiaries, Institutions, Branches, and Representative Offices of PJSC Gazprom. The calculation includes all employees dismissed in accordance with paragraph 3 of Article 77 of the Labor Code of the Russian Federation, with the exception of: due to the retirement.



HEADCOUNT AND STRUCTURE OF PERSONNEL FOR 2009–2019, PERSONS



HEADCOUNT, PERSONS

SER №	INDICATORS	NUMBER (PERSONS) 2019
1	Actual headcount	1,044
	Including:	
2	Work under an agreement concluded for an indefinite period	1,016
3	Work under a fixed-term employment contract	28
4	Work under shift / rotation work method	624
5	Work as the main method of organizing work	420

PERSONNEL DISTRIBUTION BY REGION, PERSONS

INDEX	TOTAL / INCLUDING WOMEN	MOSCOW / INCLUDING WOMEN.	NOVY URENGOY / INCLUDING WOMEN	TYUMEN / INCLUDING WOMEN.	URENGOY / INCLUDING WOMEN	VILLAGE KRASNOSELKUP / INCLUDING WOMEN.
Headcount for 2019	1,044/ 217	44/20	364/148	1/1	–	635/48
Work under a fixed-term employment contract	28/15	4/3	21/12			3/2



COMPANY STAFF STRUCTURE, PERSONS

CATEGORIES OF WORKERS	TOTAL PERSONS AS PER LIST AS OF DECEMBER 31, 2019	AGE						EDUCATION				WOMEN ONLY
		UNDER 30 YEARS	FROM 30 TO 40 YEARS	FROM 40 TO 50 YEARS	50 AND OLDER	INCLUDING		POSTGRADUATE	PROFESSIONAL		WOMEN ONLY	
						WOMEN 55 AND OLDER	MEN 60 AND OLDER		HIGHER	SECONDARY		
1	2	3	4	5	6	7	8	9	10	11	12	
Total employed	1,044	82	303	407	252	15	8	–	9	629	153	217
INCLUDING:												
Executives	207	1	51	103	52	3	3	–	7	197	7	39
Specialists	328	31	133	116	48	6	2	–	2	293	26	132
Other officers	9	1	3	4	1	–	–	–	–	5	2	8
Workers	500	49	116	184	151	3	3	–	–	134	118	38

STAFF TURNOVER FOR 2019, PERSONS

SER №	INDEX	TOTAL	WOMEN	INCLUDING GEOGRAPHICALLY SEPARATE SUBDIVISIONS:				
				MOSCOW / INCLUDING WOMEN	NOVY URENGOY / INCLUDING WOMEN	TYUMEN	URENGOY	VILLAGE KRASNOSELKUP / INCLUDING WOMEN
1	Headcount as of December 31, 2019	1,044	217	44/20	364/148	1/1	–	635/48
of these, by age group:								
	under 30	82	19	6/3	23/10	–	–	53/6
	from 30 to 50	710	153	29/15	275/112	1/1	–	405/25
	50 and older	252	45	9/2	66/26	–	–	177/17
2	Average headcount for 2019	1,032.3	192.6	39.8/15.2	352.4/132.8	1/1	–	639.1/143.6
3	Number of laid-offs, total	194	55	7/4	132/40	–	–	55/11
of these, by age group:								
3.1	under 30	115	33	3/3	103/26	–	–	9/4
3.2	from 30 to 50	40	11	3/1	18/6	–	–	19/4
3.3	older than 50	39	11	1/-	11/8	–	–	27/3



SER №	INDEX	TOTAL	WOMEN	INCLUDING GEOGRAPHICALLY SEPARATE SUBDIVISIONS:				
				MOSCOW / INCLUDING WOMEN	NOVY URENGOY / INCLUDING WOMEN	TYUMEN	URENGOY	VILLAGE KRASNOSELEKUP / INCLUDING WOMEN
4	Number of hired persons, total	185	59	8/4	135/43	–	–	42/12
of these, by age group:								
4.1	under 30	128	34	2/1	110/29	–	–	16/4
4.2	from 30 to 50	48	20	6/3	23/13	–	–	19/4
4.3	older than 50	9	5	–	2/1	–	–	7/4

The Company provides equal rights to women and men on maternity leave, which facilitates the hiring of qualified personnel, ensures the stability of the workforce, improves the morale of employees, and increases labor productivity. In accordance with Article 256 of the Labor Code of the Russian Federation, upon application by an employee of the Company, he/she is granted maternity leave until the child reaches the age of three years. Maternity leaves can be used in full or in part not only by the mother but also by father, grandmother, grandfather, another relative or guardian who actually looks after the child.

While on maternity leave, work may be continued on a part-time basis or at home on the grounds of an application from a woman or carer, while retaining the right to receive state social insurance benefits.

For the period of maternity leave, the employee retains a place of work. In 2019, 6 people were provided with maternity leave, the rate of return to work after the end of maternity leave was 100%, the employee retention rate for 12 months after leaving the maternity leave was 40%.

NUMBER OF EMPLOYEES ON MATERNITY LEAVE TOTAL / INCLUDING MEN	RETURNED UPON EXPIRATION OF MATERNITY LEAVE TAKING INTO ACCOUNT PREVIOUS PERIODS TOTAL / OF THEM MEN	REMAINING AT WORK AFTER 12 MONTHS, TAKING INTO ACCOUNT PREVIOUS PERIODS TOTAL / INCLUDING MEN
20/1	7/1	2/0



HUMAN RESOURCES / PERSONNEL MANAGEMENT

Personnel is a key factor in the efficiency and sustainable development of the Company; therefore, the most important process in managing human resources is the quality selection of qualified personnel. The development and implementation of the HR policy of OJSC Severneftegazprom are carried out by structural subdivisions under supervised by the Deputy General Director for Personnel Management. In their work, these structural subdivisions of the Company are based on compliance with the Constitution of the Russian Federation, the Labor Code of the Russian Federation, the Collective Agreement, and several internal regulations for labor relations. The Company builds partnerships with employees, creating all the conditions required for high professional achievements of employees, increasing their knowledge and skills, providing a comfortable and productive working atmosphere.

OJSC Severneftegazprom developed, introduced, and successfully implements a comprehensive program to improve the efficiency of human resource management for the period 2016-2020. According to it, the Company takes measures to form a competitive, highly professional, responsible, and united team.

OJSC Severneftegazprom sets the following strategic goals in the field of personnel management:

- Providing the Company with qualified personnel;
- Maintaining a corporate culture;
- Improving organizational structure;
- Observing the most advanced international standards in the field of personnel management.

OJSC Severneftegazprom ensures equal opportunities for its employees and avoids discrimination on grounds of nationality, origin, gender, religion, and any other



grounds. The Company's management takes a strong line, which consists in the fundamental impossibility of using child, forced and compulsory labor for commercial purposes. Labor functions in the Company are performed in accordance with the concluded labor contract.

To maintain a healthy moral climate in the workforce and to avoid conflicts, the Company has mechanisms to prevent them by submitting requests via special feedback boxes and the "Question to Administration" e-mail address (Vopros@sngp.com). In the reporting period, there were no complaints about the practice of labor relations.

Professional skills competitions held in the Company regularly increase the prestige of workers and engineering specialties, popularize innovation, promote the dissemination of best production practices and strengthen the corporate culture.

In 2019, the Company hosted professional skill competitions for the title "Best in Profession" among electric gas welders, locksmiths in instrumentation and automation, and electricians.

The total headcount of participants in the Best in Profession contests was 39 people.



PAYMENT FOR LABOR AND STAFF SOCIAL ASSISTANCE

Relations with staff are built on the grounds of the Collective Agreement, guaranteeing an equal approach to all employees.

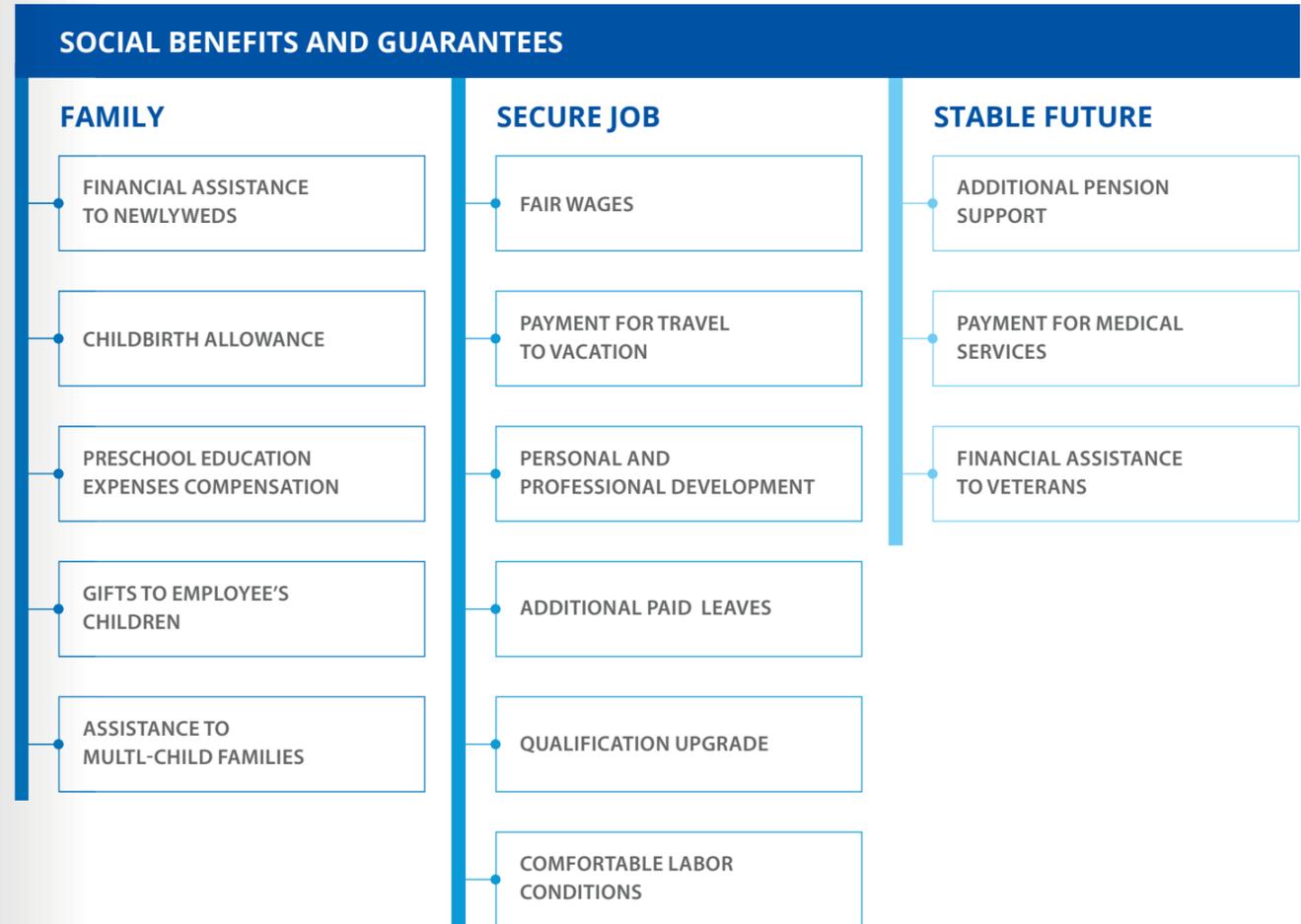
Improving efficiency and productivity is one of the Company priorities. OJSC Severneftegazprom provides extended obligations in the field of social benefits and guarantees to motivate employees and achieve an optimal balance between work and rest, actively supports the health of employees, and supports the Company's pensioners.

The current Collective Agreement provides employees with reliable social support, which includes voluntary medical insurance, accident insurance, the organization of sanatorium and resort rehabilitation as well as other benefits and guarantees.

The Company is a responsible employer and provides its employees with decent wages. The Company uses two main systems of remuneration: time-bonus and time-individual. Workers employed in the Arctic are provided with higher tariff rates and official salaries.

An important component of nonfinancial motivation programs is the recognition of merit and achievements as an element of evaluating effectiveness. The Company has developed a system of individual labor motivation, including bonuses for achieving high results in work, as well as the following types of awards and rewards: Letter of appreciation, Letter of acknowledgment, Certificate of Merit, entering on Board of Honor, entry in the Book of Honor, the title of long-service employee of OJSC Severneftegazprom. The company promotes the scientific, technical, rationalization, and inventive activities of its employees by providing additional payments to the authors of rationalization proposals and patent rights. The Company respects the family responsibilities of employees: in accordance with the Collective Agreement, additional paid holidays and material assistance are provided in the event of registration of marriage and childbirth.

One of the competitive advantages of OJSC Severneftegazprom is the social policy pursued by the Company, which increases its attractiveness in the labor market. In order to engage and retain highly qualified personnel in the long run, OJSC Severneftegazprom regularly monitors the needs and problems of employees and tries to provide them with the proper conditions for comfortable and safe work.



The social policy of OJSC Severneftegazprom organically combines care for the young generation and employees who have merits for the Company. The Company has created conditions providing the organic process of replacing experienced employees with young specialists who have undergone the training required for the effective performance of professional duties.

The Housing Commission continues its work; subsidies are granted to employees in accordance with the Regulation on Reimbursement of Expenses to OJSC Severneftegazprom Employees for the Payment of Interest on Loans (Credits) for the Purchase or Construction of Residential Premises.

The Regulation on nonstate pension provision for employees of OJSC Severneftegazprom is in force. All retired employees of the Company on a well-deserved rest

a decent level of social protection is guaranteed. Together with Nonstate Pension Fund Gazfond, the Company has a program of additional nonstate pension provision. It complies with the principles of the long-term development strategy of the pension system of the Russian Federation, contributes to an effective human resources management policy, and provides social protection for employees upon their retirement.

As of December 31, 2019, 160 nonworking pensioners are registered, who receive financial support. According to the Regulation on Procedure for Providing Social Benefits to Unemployed Pensioners and Disabled Persons, OJSC Severneftegazprom provides compensation for the cost of dental services, financial assistance for rehabilitation, for the purchase of medicines, for holidays and anniversaries, etc.



PERSONNEL DEVELOPMENT AND PERFORMANCE MANAGEMENT

Training and professional development of employees is one of the most important tasks for the Company. Against the backdrop of the rapid development of technologies and management systems, personnel training plays an increasingly important role in improving the Company efficiency and its competitiveness. Moreover, these activities bring positive results not only to the Company itself but also generally, have a significant impact on the level of training of specialists in the region — as OJSC Severneftegazprom is one of the largest enterprises in the Yamal-Nenets Autonomous District.

The Company's staff training is carried out as part of a comprehensive continuing education program. Training sessions and seminars are held mainly at the corporate training centers of PJSC Gazprom. In addition, employees have the right to use the educational services of leading domestic educational institutions.

OJSC Severneftegazprom identifies four main tasks of staff training

- Increasing the level of professional development;
- Creation of an effective personnel reserve planning system;

- Development of leadership and management competencies;
- Motivation to improve labor efficiency.

The Company offers the following types of training: vocational training, advanced training, precertification training, and certification of employees, training in second (related) professions and internships. Employees can undergo various types of training with full or partial day release, without disrupting the process flow.

THE TOTAL NUMBER OF EMPLOYEES PARTICIPATING IN CONTINUING EDUCATION PROGRAMS IN 2019 WAS 373 PEOPLE

In the reporting period, the total time for training and professional development of employees exceeded 32 thousand hours. This indicator characterizes the desire of the Company's management to improve the level of theoretical knowledge and practical skills of its employees. Training at leading training centers makes OJSC Severneftegazprom an appealing and socially responsible employer.

AVERAGE HOURS OF EMPLOYEE TRAINING IN 2019

SER №	EMPLOYEE CATEGORY	PEOPLE TRAINED		TOTAL NUMBER OF TRAINING HOURS		AVERAGE NUMBER OF TRAINING HOURS		AVERAGE NUMBER OF TRAINING HOURS PER 1 EMPLOYEE		
		TOTAL	OF THEM FOR WOMEN	TOTAL	OF THEM FOR WOMEN	TOTAL	OF THEM FOR WOMEN	TOTAL	OF THEM FOR MEN	OF THEM FOR WOMEN
1	Executives	142	11	7,398	610	52	55	36	40	16
2	Specialists	70	20	4,438	1,228	63	61	13	16	9
3	Other officers	1	1	40	40	40	40	4	–	5
4	Workers	160	2	20,138	184	126	92	40	43	5
	TOTAL	373	34	32,014	2,062	86	61	31	36	10



For the purpose of continuing education and performance improvement, support and development of staff scientific and technical activities, the Company adopted a new version of the Grant Regulations in 2019. They are provided for the education of employees of OJSC Severneftegazprom in graduate and doctoral studies at Russian higher educational institutions and scientific organizations.

The company pays considerable attention not only to the development of professional skills but also to the assessment of the employee qualifications. The Company has a performance management system based on an assessment of the level of professional competencies, key performance indicators, and individual development goals of employees.

The performance of managers and specialists is evaluated annually, starting in 2008. Its main tasks are:

- Planning and organization of learning processes;
- Improvement of work on the selection and formation of a personnel reserve;
- Disclosure of creative potential and the most effective use of professional experience of employees.

The evaluation results are also used to develop proposals for the revision of wage levels and adopt other organizational decisions.



The automated annual interview program is used to reflect the results of employee evaluations. The activities of employees are evaluated by the following parameters:

- Organization and diligence;
- Responsibility, discipline;
- Independence and initiative;
- Ability to learn new information;
- Competence.

450 managers and specialists of the Company were interviewed in 2019. Following the assessment, a decision was made to include 102 employees of the Company in the continuing education plan and send them for training.

CATEGORY	TOTAL	EVALUATED	WOMEN
Executives	207	177	27
Specialists, other officers	337	273	94



FORMATION OF A PERSONNEL RESERVE AND WORK WITH YOUNG SPECIALISTS

The Company forms and develops an internal personnel reserve to ensure long-term HR robustness. The company systematically works on the professional and personal growth of young specialists, their promotion to key managerial positions and involvement in innovative, research, and project activities.

The formation of a personnel reserve allows identifying and training talented employees to maximize the use of their potential in achieving the Company's strategic goals and to retain the best employees by providing them with career opportunities and development.

The practice of transferring promising young employees with managerial potential to the reserve for filling the posts of heads of structural subdivisions is expanding.

The main tasks of working with personnel reserve are:

- systematic and comprehensive development of professional and managerial competence of employees;
- development of business and personal qualities;
- increase in labor performance;
- development of motivation for further career growth.

Employees included in the personnel reserve undergo targeted training within the framework of the current system of continuing corporate professional education with the involvement of teachers from leading higher educational institutions of the Russian Federation and foreign countries as well as through self-education. Work with people included in the personnel reserve is based on individual planning of term and types of training.

An important stage of the work with employees enlisted in the personnel reserve is establishing individual training plans ensuring that young specialists acquire the required theoretical and practical knowledge, grasp the content and essence of managerial activities. All goals of the plan shall comply with the requirements of the SMART-system*.

The Company updates the personnel reserve lists systematically (at least once a year). The reserve composition is reviewed and updated in the course of annual analysis of the arrangement of managers and specialists. At the end of the year, the performance of each candidate enlisted in the personnel reserve is evaluated.

In 2019, 5 employees in the personnel reserve transferred to senior management positions, 9 employees underwent advanced training in corporate educational institutions of Gazprom PJSC and leading higher educational institutions of the Russian Federation.

Within the efforts to form and develop the personnel reserve, OJSC Severneftegazprom pays considerable attention to working with young specialists who are university graduates, ensuring their career growth through involvement and adaptation in research and production activities. Young people are involved in the team by providing decent working conditions and supporting their desire for professional development. The Company offers its employees numerous options of participation in educational programs, internships, and scientific and practical conferences.

In the reporting period, the share of young workers under the age of 30 was 8%, or 82 people, of the total number of employees. Initiative and talented young employees open up prospects for stable work and further growth for the Company.

Training and promotion of personnel, ensuring the continuity of management, operational rotation are among the strategic areas of the Company's personnel policy.

*The term SMART defines the criteria for a competently set goal: Specific, Measurable, Achievable, Relevant, and Timely.



HEALTH PROTECTION

Living in the difficult climatic conditions of the Arctic requires special care for the health of employees, therefore medical care for staff is one of the priority areas of the social policy of the Company. Ensuring the quality and accessibility of medical services is an integral part of the health system for employees of OJSC Severneftegazprom. The program of voluntary medical insurance (VMI) implemented in cooperation with the SOGAZ insurance group gives all employees of the Company the opportunity to receive modern quality medical care, which is of particular importance in the Arctic region. The VMI contract provides for the following services:

- Outpatient medical care in clinics equipped with advanced medical technologies and modern equipment for diagnosis and treatment;
- Inpatient care;
- Health resort and rehabilitation treatment.

Medical care for employees under the contract is carried out in more than 6,000 clinics and health centers

institutions of the Russian Federation. In 2019, 156 employees of the Company received outpatient care using modern instrumental and laboratory examination methods. 68 employees of the Company were sent to the leading specialized clinics and research institutes of the Russian Federation for additional examination and treatment using high medical technologies and unique treatment methods. The list of the most famous clinics in the Russian Federation: Botkin State Clinical Hospital (Moscow), Bakulev National Medical Research Center for Cardiovascular Surgery (Moscow), Federal State Budgetary Institution National Medical Research Center for Cardiology of the Ministry of Health of the Russian Federation (Moscow), State Budgetary Health Institution Republican Cardiology Center (Ufa), Tyumen Cardiology Center, central clinical hospitals with Outpatient Care Clinic under the Directorate of the President of the Russian Federation (Moscow), Herzen Medical Center (Moscow), S.N. Fedorov NMRC MNTK Eye Microsurgery, National Medical Research Center of Traumatology and Orthopedics named after N.N. Priorov, etc.

This year, the Company's employees were provided with expensive types of medical services, such as cardiological surgical interventions, arthroscopic surgery to restore joints, surgery for cancer patients and their further treatment, etc. In addition, the Company pays attention to employees with disabilities (disabled). Several times





a year at the expense of voluntary medical insurance funds, this category of employees is treated in specialized clinics outside the Arctic. In 2019, a modern hearing aid was purchased for a disabled employee of the Company.

The priority area for the Company is the health improvement of personnel in sanatorium institutions of the Russian Federation. In 2019, 537 employees of the Company and 43 nonworking pensioners received the social benefit for rehabilitation and rehabilitation treatment at the expense of the voluntary medical insurance contract.

In addition, 74 workers with pathologies of the locomotor system, nervous system, and metabolism were sent for treatment abroad — to the People’s Republic of China.

At any time of the day, gas industry workers can ask for medical help at the health center of the rotation camp of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field equipped with the necessary equipment and medicines. The main functions of the health center include: providing first aid, prevention of injuries, infectious, and viral diseases, conducting medical examinations.

In accordance with the legislation of the Russian Federation and to prevent occupational diseases, all employees undergo medical examinations annually based on the approved lists “Positions and Jobs Subject to Preliminary and Periodic Medical Examinations at OJSC Severneftegazprom”. During the reporting period, 840 employees of the Company underwent a periodic medical examination. Occupational diseases were not detected according to the results of medical examinations in the reporting period.

A major role in maintaining the health of employees is played by prevention, as a priority in the development of healthcare in the Russian Federation.

In 2019, the Company successfully implemented four preventive programs:

- “Healthy Heart” program for the prevention of diseases of the cardiovascular system;
- Cancer prevention program;
- Prevention of acute respiratory viral infections, influenza, and measles;
- Program to reduce overweight “Healthy Weight is Great!”.

100 employees expressed a desire to participate in the Prevention and Healthy Lifestyle Programs. 645 workers were vaccinated against influenza and measles to avoid outbreaks of infectious diseases.

In 2019, the Company launched the “Step-Towards” program for disabled children of the Company’s employees for the first time. Rehabilitation treatment in specialized medical centers of Russia was organized for 4 children.

The involvement of personnel in preventive programs allows for timely diagnosing diseases of the cardiovascular system, oncopathologies, and preventing an increase in mortality.

Every year, a lesson is held for the Company’s employees on the methods of providing first medical treatment. The lesson is organized by specialists of the medical service of OJSC Severneftegazprom to explain in an accessible form the importance of timely first aid and teach the basic methods of saving a person’s life in emergencies. In 2019, 1,020 employees of the Company were trained in the methods of providing first pre-medical care.

A single integrated approach to the organization of work and leisure, preserving the health and working capacity of the team allows OJSC Severneftegazprom to cope successfully with production tasks.

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DEVELOPMENT OF PHYSICAL EDUCATION AND SPORTS

The promotion of a healthy lifestyle, the popularization of physical education and sports are tasks of a state scale and importance.

The company confidently carries out its activities according to the concept of social responsibility of business to society. OJSC Severneftegazprom contributes to solving the tasks of the state by developing sports infrastructure in the regions of its activities and supporting various public undertakings, teams, and sports sections.

This is especially important when you consider that OJSC Severneftegazprom operates in the Arctic region, where the base for playing sports is less developed, the possibilities for improving it without the help of business are limited, and harsh climate conditions make regular sports a necessity. Such activities not only help to improve the level and quality of life of the population of the regions where OJSC Severneftegazprom operates and form a positive image of the enterprise in the eyes of people but also help to establish close and fruitful interaction with representatives of local authorities.

In 2019, representatives of OJSC Severneftegazprom participated in several sporting events. The Company’s team took part in the Open Championship of Novy Urengoy in futsal among men’s teams of SUPER-LEAGUE, the Open Volleyball Championship of Novy Urengoy (Amateur Volleyball League), the ski race “Ski Track of Russia,” Arctic Charity Volleyball Tournament “Yamal Governor’s Cup,” “Yaha-Marathon” kayaking races, “Winter Fishing” competitions, a volleyball tournament and “Sports Day” competitions dedicated to the Oil and Gas Industry Day, a bowling tournament, paintball competitions among the Company’s employees, the Open Workers’ Games of LLC Gazprom Burenie, the “Fishing” competitions, the Yamal Marathon competitions, the Open Championship in Rapid Chess of LLC Gazprom Dobycha Urengoy, a climbing tournament of LLC Gazprom Dobycha Noyabrsk, a billiards tournament in Moscow for the Cup of the Chairman of the Management Committee of PJSC Gazprom, a bowling tournament for children of the Company’s employees and a bowling tournament for the Company employees, a charity tournament “Do a Good Deed,” a billiards tournament of LLC Gazprom Dobycha Yamburg. In 2019, OJSC Severneftegazprom held the Spartakiad dedicated to



the 50th anniversary of the discovery of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field. Managers and employees of the Company competed in eight sports: skiing, swimming, darts, water polo, billiards, volleyball, paintball, and trap shooting. The Company rented sports halls for volleyball, futsal, billiards, bullet shooting, and table tennis in Novy Urengoy.

In order to strengthen the corporate spirit, promote a healthy lifestyle and team cooperation, the youth team of OJSC Severneftegazprom took part in the recreational sports outdoor extreme race “Champions Race 2019”.

Activities to promote physical education and sports brings tangible benefits to the Company itself. Only a healthy and energetic employee can be truly efficient, proactive, and responsible in work at their workplace; therefore physical education and sport play an important role in maintaining the physical and moral health of employees of OJSC Severneftegazprom. The Company has successfully carried out activities aimed at involving the Company’s employees in systematic physical education and sports, raising the level of the relevant material base and infrastructure at the Company’s facilities. There is a fitness center on the territory of rotation camp of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field, which includes a modern gym, a multi-purpose sports hall, a swimming pool, and a sauna, premises for fitness, table tennis, and billiards. Here, competitions in volleyball, football, basketball, swimming, athletic triathlon, and other sports are held regularly.

Besides, in accordance with the Collective Agreement, employees of the Company operating outside the gas industry are paid compensation for the cost of attending individual sports classes at actual costs (not more than 0.5 of the minimum tariff rate per month).



Interaction with stakeholders

An open dialogue with stakeholders creates the conditions for increasing business efficiency, makes it possible to achieve high results, and produces a strengthened image of the Company. In the course of regular interaction with stakeholders, it becomes possible to coordinate and concentrate the efforts of the Company on achieving common goals in sustainable development.

The high reputation of a reliable and effective partner in Russian and international business circles, authority and respect in society — all these advantages are not easy to evaluate in financial terms.

However, in the modern world, where information openness and public trust are the most important condition for stable and dynamic business development, they become an urgent need for any successful company.

Sustainable development of OJSC Severneftegazprom is inextricably linked with maintaining a long-term partnership with the regions where the Company operates and interacting with stakeholders, based on the following principles:

Identification of expectations of stakeholders and compliance with commitments;

Respect for interests and mutually beneficial cooperation;

Timely informing about changes and main aspects of the Company.

The Company identifies a number of key groups of stakeholders whose interests are most tangibly associated with its activities and who, in turn, can have the most significant impact on the Company's ability to implement its strategic goals:

- Shareholders;
- State authorities;
- Local communities;
- Partners and suppliers;
- Mass media;
- Nonprofit organizations and municipal institutions;
- Personnel.

The stakeholders are identified and selected for interaction based on their geographical location and the regional aspect. Representatives of the parties that are subject to possible impacts as a result of the production and business activities of the Company are identified by territorial affiliation with the areas of production activity of the Company, namely: Yamal-Nenets Autonomous District, the Krasnoselkup and Purovsky Districts, Novy Urengoy.

The range of issues for dialogue with stakeholders is formed on the basis of constant analysis of the internal and external social environment. Such work is carried out systematically taking into account the short-term and long-term plans of the Company. The main objective of the interaction is to find a solution that satisfies the majority of stakeholders, provided that it complies with the provisions of the law and other applicable requirements.

MATTER OF INTERACTION	STRATEGY AND DEVELOPMENT	CORPORATE GOVERNANCE	LEGAL REGULATION	CONTRACTUAL OBLIGATIONS	INFORMATION TRANSPARENCY	ENVIRONMENT PROTECTION	OCCUPATIONAL HEALTH AND SAFETY	CHARITY
STAKEHOLDERS								
State authorities and institutions	•	•	•	•	•	•	•	•
Suppliers/purchasers				•	•	•	•	
Shareholders	•	•	•		•	•	•	
Non-profit organizations/municipal institutions					•			•
Mass media					•	•		
Population					•	•		•
Workers	•		•	•	•	•	•	



SHAREHOLDERS

The Company shareholders are the most significant group of stakeholders. Following the best international practices, OJSC Severneftegazprom builds relationships with shareholders and their representatives based on the principles of openness, information transparency, and protection of their rights and legitimate interests. The main forms of such interaction are the holding of shareholders' general meetings where the most important issues of the Company's activities are submitted for discussion and the information on the Company's activities is presented at shareholders' request.

In accordance with the Articles of Association of OJSC Severneftegazprom, the shareholders participate in the management and control of the Company's activities through the existing management bodies: General Meeting of Shareholders, Board of Directors, Technical Committee as a consultative and advisory body to the Board of Directors.





STATE AUTHORITIES

Being a socially responsible Company that complies with environmental and social standards, OJSC Severneftegazprom seeks to promote the development of the territories of its activities. The Company is building a constructive dialogue with public authorities in order to comply with all established legislative procedures and to facilitate the solution of socially significant problems. The work of the Company in this direction is carried out on the basis of the Public Consultation Plan.

Relations with the regions are regulated by the General Cooperation Agreements concluded between the Company and the municipal administrations of the Krasnoselkup and Purovsky Districts, Novy Urengoy, and with the Government of the Yamal-Nenets Autonomous District.

The regional policy of OJSC Severneftegazprom is based on the implementation of the following measures:

Investments in infrastructure and social sphere;

Reporting on the Company's activities to supervisory authorities;

Employment of the local population;

Tax liabilities;

Implementation of projects for the development of local communities, socially significant and environmental projects;

Assistance to charities;

Disclosure of information on the Company's activities on a corporate website on the Internet.

In 2019, under the cooperation agreement between the Government of the Yamal-Nenets Autonomous District and OJSC Severneftegazprom for 2018–2020 dated December 21, 2017, and annual supplementary agreements, the amount of the Company's financing measures in the field of socioeconomic development of the territory of the Yamal-Nenets Autonomous District amounted to RUB 60 million.

SUPPORT OF INDIGENOUS POPULATION

OJSC Severneftegazprom implements programs aimed at supporting the traditional way of life of the peoples of the North, preserving a unique culture, and at the same time, adapting them to modern economic and social trends.

LOCAL COMMUNITIES

OJSC Severneftegazprom builds its relations with local communities in the regions where the Company operates on the principles of respect and equality.

Support of social programs and charities, solving economic and environmental problems in the regions where the Company operates are among the most important components of Severneftegazprom regional policy contributing to a constructive dialogue with the public.

Interaction with local communities is regulated by the General Cooperation Agreement as well as by collecting data via the feedback boxes at the offices of OJSC Severneftegazprom. Of particular interest to the population of the Arctic is the provision of financial assistance in the framework of existing agreements or by appropriate appeals to the Company.

Responsibility for fulfilling obligations under the agreements and for implementing charity events with local communities on the grounds of received applications is assigned to the PR service of OJSC Severneftegazprom.

During 2019, all measures to finance socioeconomic development and preserve traditional household management of the indigenous minority peoples of the North were carried out in full and within the time stipulated by the cooperation agreements.

The programs implemented by OJSC Severneftegazprom are aimed at supporting the traditional way of life of the peoples of the North, preserving a unique culture, and at the same time, adapting them to modern economic and social trends. The Company strives not only to ensure that cultural traditions and lifestyles of indigenous minority peoples are preserved but also to protect them

from adverse impact in the process of carrying out its production activities. Due to the territorial remoteness of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field from the habitats of the indigenous peoples of the North, the Company's activities do not entail any impact on indigenous minorities, including the need for their resettlement in other regions. Thus, there are no cases of involuntary resettlement, both in terms of forced physical movement, and in relation to the violation of the economic situation (loss of assets or access to resources) of households and representatives of local communities.

There were no disagreements with local communities and indigenous peoples related to the current or planned future activities of the Company, as well as incidents involving any degree of infringement of indigenous peoples minority rights and interests (related to land, other relevant resources, etc.).

PARTNERS AND SUPPLIERS

The procurement policy by OJSC Severneftegazprom is implemented primarily on a competitive basis to ensure that contractors for supply of works, services, and goods required for timely and high-quality satisfaction of the Company's needs are selected optimally. Tenders carried out in accordance with the corporate regulations.

During the reporting period, the Company carried out 942 procurement operations, totaling more than RUB 25.5 billion. Procurement from local suppliers and contractors registered in the Yamal-Nenets Autonomous District accounts for 8% of the total amount of purchases. Percentage of competitive procedures from the total volume of the Company procurements for 2019 is 97.64%. The total reduction in contract prices based on the tender results (savings based on the tender results) in 2019 amounted to more than RUB 800 million.

The Company interacts with suppliers based on the principles of business ethics and a transparent and competitive selection mechanism. When working with contractors, OJSC Severneftegazprom is guided by the requirements established in the Company in the field of labor protection, industrial safety, and environmental protection.



MASS MEDIA

The mass media play an important role in forming and maintaining a positive image of the Company and strengthening its business reputation. A well-built strategy of information interaction with the mass media allows timely informing the public about the Company's activities.

The main tasks of the Company's communications with the mass media:

developing dialogue with an external audience;

Information support of the Company's activities in the regions where it operates;

promotion of the Company's image.

In 2019, OJSC Severneftegazprom published materials in federal, regional, and municipal mass media, the Company's corporate publications, press releases, and informational messages were posted on the Company's website on the Internet and on the corporate portal of the Company, and videos about social and production events were published in electronic media.

The Company organizes regular press tours to the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field facilities for mass media representatives to inform the stakeholders.

One of the main channels of information disclosure is the corporate website of OJSC Severneftegazprom on the Internet, which provides information on its production and financial activities, sustainable development, and corporate responsibility. The Company conducts regular updates of the website, endeavoring to make it the maximum informative and user-friendly. In 2019, 407 informational messages and press releases were posted on the official website and corporate portal of the Company.



CARE OF THE INDIGENOUS POPULATION

OJSC Severneftegazprom implements programs in the region of operation based on respect for the culture and traditions of peoples of the North and support for their adaptation to the modern social and economic conditions.



NONPROFIT ORGANIZATIONS AND MUNICIPAL INSTITUTIONS

OJSC Severneftegazprom implements large-scale investment programs in the social infrastructure of the regions where it operates and provides targeted assistance to nonprofit organizations and institutions.

In 2019, in the framework of a cooperation agreement between the Government of the Yamal-Nenets Autonomous District and OJSC Severneftegazprom, financial assistance was provided in the amount of RUB 60 million, dedicated to:

- Socioeconomic development of the Krasnoselkup District municipality;
- Socioeconomic development of the municipality of Novy Urengoy;
- social and economic development of the municipality of Purovsky district;
- Organization of medical and diagnostic assistance to critically ill children and children with disabilities of the Yamal-Nenets Autonomous District;
- Maintenance and conduct of the statutory activities of Yamal-Nenets Autonomous District Hockey Federation, a regional public organization;
- Carrying out the statutory activities of Nonprofit Organization Regional Innovation and Investment Fund "Yamal".

PERSONNEL

The interaction between OJSC Severneftegazprom and the personnel is based on respect for the personality and rights of employees and is governed by local regulations and the Collective Agreement of the Company.

The main mechanism for developing a dialogue with employees is the system of internal corporate communications. Employees can obtain information about the Company's development plans, opportunities for their professional and career development during corporate events as well as by sending questions via the feedback boxes at the Company's offices or via the contact center of OJSC Severneftegazprom (Vopros@sngp.com, telephone: + 7-3494-932-932). In 2019, the management of the Company received no complaints.

Employees of the Company can discuss, by prior appointment, personal issues both with a Deputy General Director and directly with the General Director. There were complaints submitted by the Company's employees, concerning the activities of OJSC Severneftegazprom related to environmental aspects and environmental protection, occupational health and safety.

Besides, any employee can address any question to the relevant subdivision or to the Company management, as well as make a proposal to optimize work processes on the corporate portal of the Company.

OJSC Severneftegazprom organizes regular cultural and sporting events, in their diversity, aimed at strengthening the team spirit and team building.





**THE CORPORATE MANAGEMENT SYSTEM
OF OJSC SEVERNEFTEGAZPROM IS DEVELOPED
IN ACCORDANCE WITH THE BEST RUSSIAN
AND INTERNATIONAL PRACTICES AND
STANDARDS**

10 MEETINGS

OF THE BOARD OF
DIRECTORS IN 2019



FINANCIAL AND OPERATIONAL ACTIVITIES MANAGEMENT AND SUPERVISION BODIES

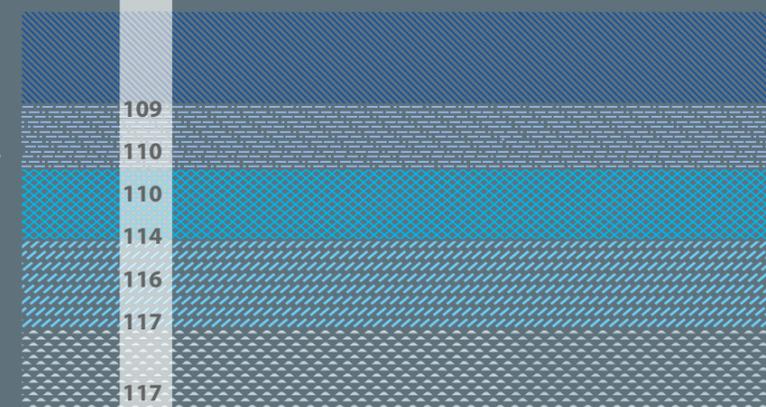
EFFECTIVE CORPORATE MANAGEMENT SYSTEM OF THE COMPANY IS THE GUARANTY FOR THE SHAREHOLDERS INTERESTS PROTECTION.

CHARTER DOCUMENTS AND THE SHAREHOLDERS AGREEMENT OF OJSC SEVERNEFTEGAZPROM ENSURE THE RIGHT OF SHAREHOLDERS TO PARTICIPATE IN THE COMPANY MANAGEMENT.



10

- The structure of financial and operational activities management and supervision bodies
- General Meeting of Shareholders
- Board of Directors
- Technical committee
- Executive body
- Revision commission
- Information on the company's auditor



IN 2019 THERE WERE HELD:

3

GENERAL MEETINGS OF SHAREHOLDERS

10 MEETINGS

OF THE BOARD OF DIRECTORS

7 MEETINGS

OF THE TECHNICAL COMMITTEE

The structure of financial and operational activities management and supervision bodies

THE GENERAL MEETING OF SHAREHOLDERS is the supreme management body of the Company, through which shareholders exercise their right to participate in the management of the Company.

THE BOARD OF DIRECTORS is a management body that exercises general management of the Company and is responsible for strategic management aimed at fulfilling long-term goals and objectives, as well as monitoring the performance of the Company.



The Board of Directors of the Company shall form the Technical Committee under the Board of Directors.

THE TECHNICAL COMMITTEE UNDER THE BOARD OF DIRECTORS is a consultative and advisory body of the Board of Directors of the Company, established for preliminary consideration of significant technical issues within the competencies of the Board of Directors.

GENERAL DIRECTOR is the sole executive body managing the current activities of the Company and implementing the strategy determined by the Board of Directors.

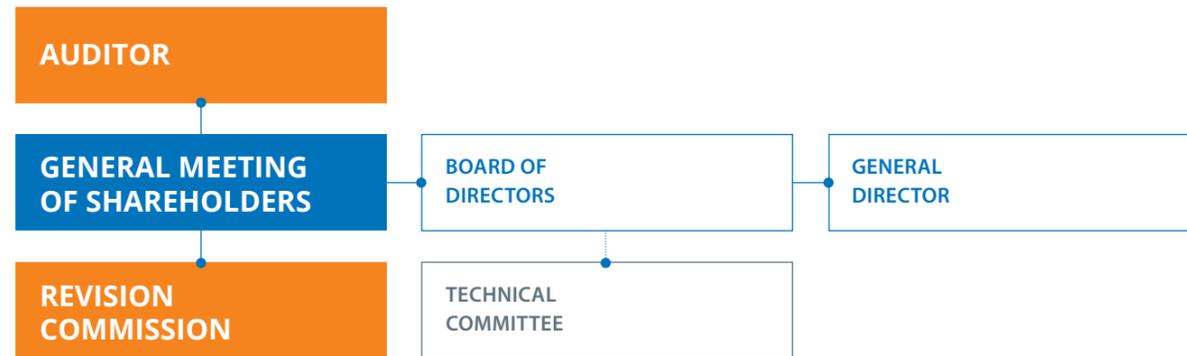
THE REVISION COMMISSION — is a body controlling the financial and economic activities of the Company, reporting directly to the General Meeting of the Company Shareholders.

The Company engages an external auditor to conduct a mandatory annual audit of the annual accounting (financial) statements in accordance with Russian Accounting Standards (RAS) and in accordance with International Financial Reporting Standards (IFRS). The auditor of the Company shall be approved by the General Meeting of Shareholders. The amount of payment for the auditor's services is determined by the Board of Directors. The issues of establishment, competencies, and organization of activities of the management and control bodies are determined in the Articles of Association of OJSC Severneftegazprom, the Agreement of Shareholders of OJSC Severneftegazprom, and internal documents of the Company.

The Articles of Association of OJSC Severneftegazprom are available for review to all stakeholders on the Company's website at www.severneftegazprom.com



CORPORATE GOVERNANCE DIAGRAM OJSC SEVERNEFTEGAZPROM



General Meeting of Shareholders

Three General Meetings of the Company Shareholders were held in 2019, including the Annual General Meeting of Shareholders (June 4, 2019) where the Annual Report and Annual Financial Statements for 2018 were approved, and the Auditor of the Company was selected, the Board of Directors and the Revision Commission were elected, and also the distribution of profits and the payment of remuneration to the members of the Board of Directors were discussed.

At the Extraordinary General Meeting of Shareholders on June 28, 2019, decisions were considered and adopted on issues of consent to executing supplementary agreements to the long-term gas supply contracts with regard to setting the gas selling price for the second half of 2019 of the Supply Year, which were interested-party transactions.

At the Extraordinary General Meeting of Shareholders held on September 23, 2019, convened at the request of Gazprom PJSC, the new Board of Directors and the Revision Commission of the Company were elected.

Board of Directors

In accordance with the Articles of Association of OJSC Severneftegazprom, the Board of Directors of the Company is composed of 8 members..

In the reporting year, 10 meetings of the Board of Directors were held, at which 37 issues were considered in various areas of the Company.

The Board of Directors focused on important issues related to the general management of the Company's activities related to:

Coordination of interested-party transactions, including the issue of determining the price of property that is the subject of these transactions in accordance with Article 77 of the Federal Law on Joint-Stock Companies;



Preparation for holding and convening an Extraordinary General Meetings of Shareholders and the Annual General Meeting of Shareholders, including preliminary approval of the Annual Report, recommendations on the amount of dividends on shares of the Company, and the procedure for their payment;

Approval of the Annual Work Program and the Budget, the Investment Program of OJSC Severneftegazprom for 2019, other programs and internal documents in accordance with the competencies of the Board of Directors;

The appointment of members of the Technical Committee.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN THE REPORTING YEAR:

MEMBERSHIP OF THE BOARD OF DIRECTORS FROM JANUARY 1 TO JUNE 4, 2019	MEMBERSHIP OF THE BOARD OF DIRECTORS FROM JUNE 4 TO SEPTEMBER 23, 2019	MEMBERSHIP OF THE BOARD OF DIRECTORS FROM SEPTEMBER 23 TO DECEMBER 31, 2019
A.I. Medvedev	A.I. Medvedev	A.I. Medvedev
E.V. Mikhailova	E.V. Mikhailova	E.V. Mikhailova
V.V. Cherepanov	V.V. Cherepanov	V.V. Cherepanov
A.P. Dushko	A.P. Dushko	D.S. Grishin
T. Wieland	T. Wieland	T. Wieland
Mario Mehren	Mario Mehren	Mario Mehren
J. Pleininger	J. Pleininger	J. Pleininger
T.G. Morris	T.G. Morris	T.G. Morris

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTOR

	2019	2018	2017
Strategic	9	12	6
including:			
including budget planning	3	3	2
Corporate governance	28	63	41
including:			
including transactions approval	9	26	10
preparation to GSM	8	11	6
organization	4	10	7
other	7	13	18
TOTAL	37	75	47

**COMPOSITION OF THE COMPANY'S BOARD
OF DIRECTORS AT THE END OF THE REPORTING PERIOD:****ALEXANDER
IVANOVICH
MEDVEDEV****Chairman of the Board
of Directors**

Born on August 14, 1955, in Shakhtersk, Sakhalin Region.

Graduated from the Moscow Institute of Physics and Technology with a degree in automated control systems (1978).

Candidate of Economic Sciences. A full member of the International Academy of Investments and Construction Economics.

Advisor to the General Director of LLC Gazprom Export.

General Director of FC Zenit.

**ELENA
VLADIMIROVNA
MIKHAILOVA**

Born on April 28, 1977, in Ostrov, Pskov Region.

Graduated from Moscow State Industrial University with a degree in jurisprudence (1999).

Master of Business Administration, the Academy of National Economy under the Government of the Russian Federation.

Member of the Management Committee, Head of Department, PJSC Gazprom.

**VSEVOLOD
VLADIMIROVICH
CHEREPANOV**

Born on November 25, 1966, in Frunze.

Graduated from Lomonosov Moscow State University with a degree in geology (1991).

Candidate of Sciences in Geology and Mineralogy.

General Director of LLC Gazprom Nedra and LLC Gazprom Geologorazvedka.

**DMITRY
SERGEEVICH
GRISHIN**

Born on March 19, 1977, in Opalikha, Moscow Region.

Graduated from Moscow State Aviation Institute (Technical University) with a degree in business economics and management, and retrained at the Academy of National Economy under the Government of the Russian Federation.

Head of Department, PJSC Gazprom.

**THILO WIELAND**

Born on October 27, 1969, in Lichtenberg, Berlin (Germany).

Graduated from Technical University of Berlin with a degree in Engineering.

Member of the Management Committee, Wintershall Dea GmbH.

**MARIO MEHREN**

Born on November 24, 1970, in Koblenz (Germany).

Graduated from the Saarland University (Germany) with a degree in Business Administration.

Chairman of the Management Board, CEO of Wintershall Dea GmbH.

**JOHANN
PLEININGER**

Born on February 22, 1962, in Mistelbach (Austria)

Graduated from the University of Applied Sciences, Department of Industrial Engineering, Linz

Deputy Chairman of the Management Board and member of the Executive Committee at OMV Aktiengesellschaft, responsible for exploration and production.

**THOMAS GEOFFREY
MORRIS**

Born on November 9, 1969, in London (United Kingdom).

Graduated from Heriot-Watt University (United Kingdom), Department of Engineering Mechanics (1991); graduated from Fletcher School of Law and Diplomacy (USA) with a degree in International Relations (2003).

Head of OMV Russia Upstream GmbH in Russia.

The Chairman and members of the Board of Directors did not own shares of the Company during the reporting year.

There were no transactions on the acquisition or alienation of shares of the Company by members of the Board of Directors in the reporting year.





REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS

On the grounds of the Decision of the General Meeting of the Company Shareholders (Minutes № 57/2019 dated June 4, 2019), members of the Board of Directors were paid remuneration for the participation in activities of the Board of Directors of the Company in 2018, in the total amount of RUB 6,274,000.

In the reporting year, other types of remuneration were not paid to members of the Board of Directors, and expenses related to the performance of functions of a member of the Board of Directors were not compensated.

Technical Committee

The Company has established a Technical Committee under the Board of Directors, the purpose of which is the preliminary consideration of significant technical issues of the Company's activities that are within the competencies of the Board of Directors and provide recommendations for the latter to make decisions on such issues.

The procedure for the formation and activities of the Technical Committee is regulated by the OJSC Severneftegazprom Shareholders Agreement and the Regulation on Technical Committee approved by the Board of Directors.

The Technical Committee is composed of 8 members appointed by the Board of Directors. Candidates are nominated by the shareholders of the Company in the following order: 4 candidates from PJSC Gazprom,

from Wintershall Dea GmbH and OMV Exploration and Production GmbH — 2 candidates from each company.

The function of the Technical Committee is to provide recommendations to the Board of Directors on all significant technical issues — within its competencies — of Company's activities, including the approval of the Long-Term Development Plan and the Budget, the Draft Additional Plan for the Field Development, the Additional Plan for the Field Development, and the Annual Work Program and Budget as well as any amendments and/or supplements thereto.

The activities of the Technical Committee composed of the members with extensive experience and knowledge in special fields increase the efficiency and quality of the work of the Board of Directors and, as a result, create effective mechanisms for managing the Company's activities.

Members of the Technical Committee do not own shares of the Company. There were no transactions on the acquisition or alienation of the Company's shares by members of the Technical Committee in the reporting year.



COMPOSITION OF THE TECHNICAL COMMITTEE AS OF THE END OF THE REPORTING PERIOD:

SER NO	FULL NAME	EMPLOYER	POSITION
1	Vladimir Vladimirovich Dmitruk	OJSC Severneftegazprom	General Director
2	Andrey Aleksandrovich Chernyshev	OJSC Severneftegazprom	Deputy General Director for Economics and Finance
3	Egor Alekseevich Efimochkin	PJSC Gazprom	Head of Division
4	Nazhib Abdulkadyrovich Bilalov	PJSC Gazprom	Head of Department
5	Dr. Angelos Calogirou	Wintershall Dea GmbH	Vice President for Strategic Development Deputy General Director of for Strategic Planning of OJSC Severneftegazprom
6	Matthias Stollenwerk	OJSC Severneftegazprom	Vice President, Exploration and Field Development
7	Lea Gertrud Fuchs	Branch of Wintershall Dea Russia GmbH (Germany), Saint Petersburg	CFO
8	Lars Drage	OMV Russia Upstream GmbH	Technical Director



**CURRICULUM VITAE:****VLADIMIR VLADIMIROVICH DMITRUK**

Born on April 15, 1970, in Kaliningrad.

Graduated from State Oil and Gas Academy named after I.M. Gubkin with a degree in oil drilling (1993).

Graduated from State Educational Institution of Higher Professional Education Tyumen State Oil and Gas University with a degree in economics and enterprise management (2003).

Candidate of Technical Sciences.

Information about the main place of work for the last 5 years:

from March 2007 to February 2015, the General Director of LLC Gazprom Severpodzemremont (since 2009, LLC Gazprom Podzemremont Urengoy).

Since November 2015, the General Director of OJSC Severneftegazprom (elected for a new term (3 years) on November 23, 2018, Minutes № 174/2018 of the Meeting of the Board of Directors dated November 20, 2018).

The General Director does not own shares in OJSC Severneftegazprom. There were no transactions on the acquisition or alienation of the Company's shares by the General Director in the reporting year.

The remuneration of the General Director of the Company is exercised according to a time-individual system that provides for the payment of wages based on the monthly official salary established by the Wage Agreement, which is an annex to the employment contract, as well as compensation and incentive payments. The list of social guarantees and compensations to the General Director is established in the employment contract.

Executive body

In accordance with the Articles of Association of OJSC Severneftegazprom, General Director is the sole executive body of the Company. The collegial executive body of the Company is not provided for.

Vladimir Vladimirovich Dmitruk was the Company's officer performing the functions of the sole executive body (General Director) in the reporting period.

**Revision Commission**

The Revision Commission is a permanent control body, independent of the Company's officers, management bodies, and management.

In its activities, the Revision Commission is guided by the Federal Law on Joint Stock Companies, the Articles of Association of OJSC Severneftegazprom, and the Regulation on the Revision Commission.

In accordance with the Articles of Association of OJSC Severneftegazprom, the Revision Commission is composed of 3 members.

Members of the Revision Commission do not own shares of the Company. There were no transactions on the acquisition or alienation of the Company's shares by the members of the Revision Commission in the reporting year.

COMPOSITION OF THE REVISION COMMISSION AS AT THE END OF THE REPORTING PERIOD

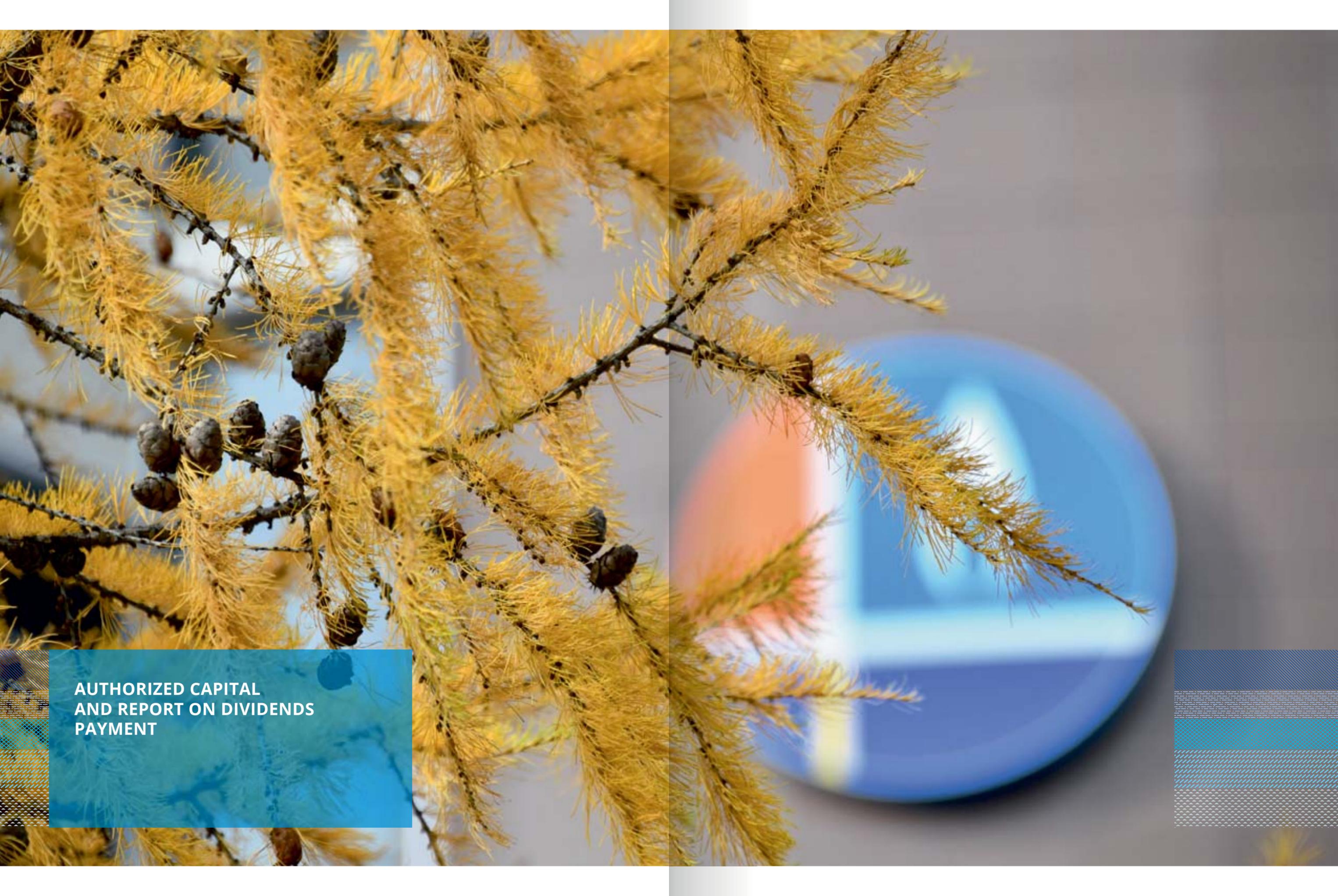
SER NO	FULL NAME	EMPLOYER	POSITION
1	Denis Sergeevich Anokhin	PJSC Gazprom	Head of Department
2	Oliver Hochmuth	Wintershall Dea GmbH	Vice President for Finance
3	Lea Gertrud Fuchs	OMV Russia Upstream GmbH	CFO

Information on the Company Auditor**FBK, LLC**

Member of the Self-Regulatory Organization of Auditors Nonprofit Partnership "Sodruzhestvo Audit Association". Principal Number of Registration Entry (PNRE) in the register of auditors and audit organizations is 11506030481.

Location: 44/1 Myasnitskaya Str., city of Moscow, the Russian Federation; telephone: +7 (495) 737-53-53; fax: +7 (495) 737-53-47.

The auditor was approved by the Decision of the Annual General Meeting of the Company Shareholders (AGMS Minutes № 57/2019 dated June 4, 2019).



**AUTHORIZED CAPITAL
AND REPORT ON DIVIDENDS
PAYMENT**



Authorized capital

The authorized capital is presented in the amount at par value of ordinary and preferred shares placed by the Company. The authorized capital of the Company is divided into 533,330 shares; at the end of the reporting period, it amounts to 39,999,749.40 RUB.

The authorized capital of the Company is paid in full.

The state registration of all issues of the Company shares was carried out by the Regional Branch of the Federal Service for Financial Markets in the Ural Federal District.

In the reporting year, the Company did not raise cash and other funds as a result of the issue of securities.

The shares of the Company are not stated for circulation with the securities traders and do not have market quotes.

DATA ON THE AUTHORIZED CAPITAL AS OF DECEMBER 31, 2019

SER №	TYPE OF SECURITIES	PLACED SHARES:		INCLUDING:	
		SHARES (PCS.)	AMOUNT AT PAR VALUE PER PCE (RUBLES)	FULLY PAID (PCS.)	PARTIALLY PAID AT PAR VALUE (RUBLES)
1	AUTHORIZED CAPITAL OF THE COMPANY AMOUNTS TO:	533,330	–	533,330	No
2	Ordinary shares	533,324	60,00	533,324	No
2.1	including credited to the account	No	No	No	No
3	Preference shares, including	6		6	No
3.1	Preference, type A	2	2,461,620.00	2	No
3.1.1	including credited to the account	No	No	No	No
3.2	Preference, type B	3	666,692.40	3	No
3.2.1	including credited to the account	No	No	No	No
3.3	Preference, type C	1	1,076,992.20	1	No
3.3.1	including credited to the account	No	No	No	No



INFORMATION ON EQUITY SECURITIES OF THE COMPANY

TYPE AND CATEGORY OF SECURITIES	PAR VALUE OF EACH SECURITIES ISSUED, RUBLES.	THE TOTAL NUMBER OF PLACED SECURITIES ISSUED, PCS.	STATE REGISTRATION NUMBER OF ISSUE	DATE OF STATE REGISTRATION OF THE ISSUE
Registered ordinary shares	60	533,324	1-02-31375-D	05.07.2011
Preference shares type A	2,461,620	2	2-10-31375-D	03.10.2011
Preference shares type B	666,692.4	3	2-08-31375-D	03.10.2011
Preference shares type C	1 076 992,2	1	2-09-31375-D	03.10.2011

Report on the payment of declared (accrued) dividends on shares of the Company

In 2019, on the grounds of the Decision of the Annual General Meeting of Shareholders held on June 4, 2019 (Minutes № 57/2019 dated June 4, 2019), the Company paid declared (accrued) dividends for 2018 in the amount of 1,840,114,000 RUB.

AMOUNT OF PAID DIVIDENDS

TYPE (CATEGORY) OF SECURITY	AMOUNT OF PAID DIVIDENDS, TOTAL, THOUSAND RUBLES	DATE OF PAYMENT
Ordinary shares	1,472,091	June/July 2019
Preference shares, type A	226,481	June/July 2019
Preference shares, type B	92,006	June/July 2019
Preference shares, type C	49,536	June/July 2019

As of December 31, 2019, dividends were paid in full; there are no dividend payment due.

INFORMATION ON THE CHANGE IN THE ADDITIONAL CAPITAL OF THE COMPANY

The size of additional capital as of December 31, 2019, is 25,099,046 thousand RUB. In the reporting year, the amount of additional capital did not change.

INFORMATION ON CHANGING THE RESERVE FUND OF THE COMPANY

In accordance with the Articles of Association, the Company forms a provision in the amount of 5% of the authorized capital. The reserve fund as of December 31, 2019, is fully formed and amounts to 2,000,000 RUB.



RISK MANAGEMENT SYSTEM

DESCRIPTION OF THE INTERNAL RISK CONTROL ENVIRONMENT IN THE COMPANY

The Company has the following regulatory documents in the field of risk management and internal control:

the documented procedure IMS DP 08 "Risk and Opportunity Management in the Environmental Management System" rev. 4 was developed and implemented in 2019;

the documented procedure ISM DP 09 "Risk Management in the Quality Management System" rev. 1 was developed and implemented in 2019;

the Risk Assessment Methodology, rev. 1 was developed and implemented in the quality management system in 2019;

the Regulation on pre-trial and claim work in the Company, rev. 1, was developed and implemented in 2017;

the Regulation on the procedure for working with the control (supervision) bodies when they carry out inspections in the Company, rev. 3 was developed and implemented in 2017.

the regulation on the procurement of goods, works, and services, rev. 6, was developed and approved in 2018.

the Regulation on contractual work in the Company, rev. 5, was developed and implemented in 2019;

the Methodology for Estimating Expected credit losses, rev. 1 was developed and implemented in 2019.



12

- Industry risks
- Financial risks
- Legal risks

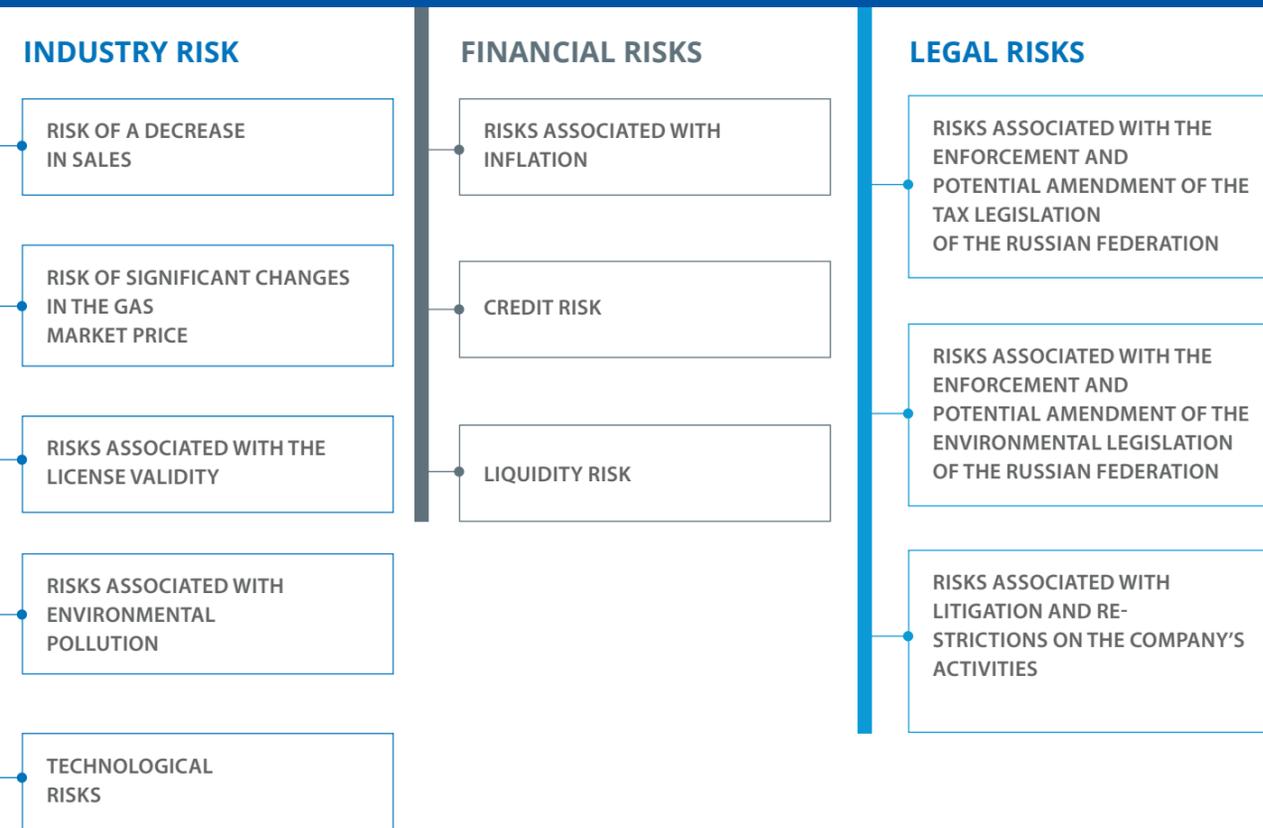
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126

126



COMPANY RISK STRUCTURE



Industry risk

The Company is exposed to industry risks in carrying out its activities, the most important of which are hydrocarbon prices and technological risks associated with the specifics of the production process. Search for and development of the fields, preparation, and transportation of gas are complex and capital-demanding processes that entail technological and environmental risks. The Company minimizes these risks strictly observing industry requirements and standards, introducing new technologies and equipment at all stages of the production process.

RISK OF A DECREASE IN SALES

The risk of a decrease in sales is associated with a likely decrease in hydrocarbon demand in the long term, which in turn, may have an adverse effect on the project performance. However, in accordance with long-term gas supply contracts, the buyer pays for the entire volume of contracted gas, regardless of the actual withdrawal, which eliminates this risk for the Company until the expiration of these agreements.



RISK OF SIGNIFICANT CHANGES IN GAS MARKET PRICE

A significant reduction in the market price may affect the cash flows required for the implementation of stable production and business activities of the Company. The risk is assessed as low since in accordance with the Gas supply contracts the gas price is determined by the formula, which takes into account the expenses of the Company and the required rate of return.

RISKS ASSOCIATED WITH THE LICENSE VALIDITY

The Company carries out its activities in the development of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field in accordance with licenses for the right to use subsoil and to carry out other licensed activities.

The Company fully complies with the requirements of the license agreements and takes all actions required to comply with the current legislation in the field of licensing in order to minimize this risk.

RISKS ASSOCIATED WITH ENVIRONMENTAL POLLUTION

The Company's activities in developing the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field are potentially associated with the risk of environmental damage. However, existing design solutions, high-tech equipment used, production control at all stages of production activities, including close interaction with contracting organizations operating on the territory of the Company and the absence of emergencies, allow maintaining a low level of environmental damage.

TECHNOLOGICAL RISKS

Operational activities of the Company at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field may entail the impact of adverse factors associated with equipment failure.

At the same time, the technologies used in the production, preparation and transportation of gas comply with modern requirements for reliability and safety in the operation of equipment, which helps to minimize these risks.

Certified equipment and technical devices that meet the modern requirements of reliability and safety during their operation are used at hazardous production facilities of the field. Equipment and machinery undergo timely maintenance by the personnel of the Company or specialized organizations, which also reduces these risks.



LIQUIDITY RISK

The principle of ensuring liquidity. A high unevenness of certain types of cash flows generates a temporary shortage of funds of the enterprise, which can have a significant impact on the level of its insolvency. In 2019, profitable payments were received evenly; there was no need for borrowed capital of the Company.

The principle of reducing the risk of liquidity loss by the Company. The Company's revenue is determined by the expenses included in the price formula. In the event of a decrease in existing gas production, cash flows will not suffer due to an increase in unit prices commensurate with a decrease in production. The gas pricing mechanism significantly reduces the risk of loss of liquidity of the Company.

Financial risks

RISKS ASSOCIATED WITH INFLATION

At the end of 2019, the inflation rate was 3%. The Ministry of Economic Development of the Russian Federation predicts inflation growth to 3.8% in 2020. At the same time, inflation will not have a significant impact on the financial and economic performance of the Company in the foreseeable future in connection with the established mechanism for pricing gas sales, as well as the cost-cutting program implemented by the Company.

CREDIT RISK

Credit risk, namely the risk of default on obligations by buyers of natural gas, is assessed as low. The buyers of natural gas are Gazprom Group companies. They established themselves as reliable partners that do not allow delays in payment for completed deliveries.

Legal risks

RISKS ASSOCIATED WITH THE ENFORCEMENT OF THE TAX LEGISLATION BY TAX AND JUDICIAL AUTHORITIES OF THE RUSSIAN FEDERATION

Over the past years, there has been a tendency to introduce amendments and additions to the tax legislation, thereby preserving the risks of the possibility of changes in the Tax Code of the Russian Federation that could have an impact on the Company's activities.

To avoid tax risks and timely adapt the Company's activities, changes made to tax legislation are regularly monitored, law enforcement practice is studied, and interaction with state authorities is carried out.



RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE AMENDMENT OF THE ENVIRONMENTAL LEGISLATION OF THE RUSSIAN FEDERATION

The production and business activities of the Company are largely associated with environmental impact, therefore, noncompliance with environmental legislation or failure to respond promptly to changes made to it may entail adverse consequences of legal, financial, and reputation nature.

Recognizing the importance of preserving the environment, the safety of production activities and the fulfillment of environmental obligations, the Company regularly monitors changes in legislation in the field of environmental protection and the conservation of natural resources, monitors compliance with legislation, the availability and sufficiency of effective regulatory and permitting documents, and timely and correct compliance with prescriptions of supervisory bodies.

RISKS ASSOCIATED WITH LITIGATION AND RESTRICTIONS ON THE COMPANY'S ACTIVITIES

At the moment, the Company does not participate in significant litigations and is not liable for the debts of third parties, which may result in a restriction of the Company's activities.

The Company seeks to resolve disputes in the framework of pretrial procedures by monitoring judicial practice on issues related to the activities of the Company, as well as the rules of court proceedings.



REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Being a nonpublic company, OJSC Severneftegazprom nevertheless strives to follow the regulations of the Corporate Governance Code recommended by joint-stock companies which have their securities quoted (Letter № 06-52/2463 of the Bank of Russia dated April 10, 2014). The company complies with the following provisions of this document:

I. THE RIGHTS OF SHAREHOLDERS AND THE EQUALITY OF CONDITIONS FOR SHAREHOLDERS IN THE EXERCISE OF THEIR RIGHTS

1.1	The procedure for convening, preparation for, and holding the General Meeting of Shareholders is regulated by the Articles of Association of OJSC Severneftegazprom (approved at the GMS on October 29, 2009, Minutes № 7/2009) and the Regulation on General Meeting of Shareholders (approved by the General Meeting of Shareholders on November 2, 2009, Minutes № 8/2009).
1.2	The announcement of the General Meeting of Shareholders shall contain all the information required for the shareholders of the Company to make a decision on participation, including information about the venue of the Meeting. Foreign shareholders shall be additionally provided with information in English.
1.3	In order to increase the validity of decisions made by the General Meeting of Shareholders, the following information shall be provided to the Company shareholders in addition to the mandatory materials provided for by the legislation: <ul style="list-style-type: none"> – The opinion of the Board of Directors regarding issues on the agenda of the General Meeting (Extracts from the minutes of the meeting of the Board of Directors, including a separate opinion of a member of the Board of Directors, if any); – When making decisions on interested party transactions, a list of persons recognized as interested parties to the transaction, with the indication of the grounds on which such persons are recognized as interested parties; – Justification of the proposed distribution of net profit, including both for the payment of dividends and for the Company's needs, with explanations and economic justification of the needs; Also, when preparing materials for the General Meeting of Shareholders, the shareholder nominating a candidate to the Board of Directors shall be indicated.
1.4	The Company does not refuse to the shareholder in a timely consideration with the materials for the General Meeting of Shareholders, if, despite typos and other minor defects, the shareholder's request generally allows determining their will and confirming their right to familiarize themselves with the materials, including to receive copies thereof.
1.5	The Company provides its shareholders with the opportunity to familiarize themselves with the list of persons entitled to participate in the general meeting, starting from the date it is received by the Company.

1.6	The time frame for shareholders to submit proposals on the items of agenda of the Annual General Meeting is expanded by the Articles of Association of OJSC Severneftegazprom from thirty (30) days provided for by the legislation to sixty (60) days after the end of the calendar year.
1.7	If there are typos and other minor defects in the shareholder's proposal, the Company does not refuse to include the proposed item on the agenda of the General Meeting of Shareholders, and the nominated candidate on the list for election to the relevant body of the company, if the content of the proposal as a whole allows determining the shareholder's will and confirm his/her right to send a proposal.
1.8	When holding the General Meeting, the Company engages the Registrar of the Company for the functions of the electoral commission.
1.9	The general meetings of shareholders held in the form of shareholders joint attendance to discuss agenda items and make decisions on issues put to a vote shall be held on the same day. Voting results are summarized and announced before the General Meeting of Shareholders is closed.
1.10	The decision on the payment of dividends allows the shareholder of the Company to receive comprehensive information regarding the amount of dividends on shares of each category (type).
1.11	The company annually pays dividends to shareholder by distributing profits earned as of the end of the year. Dividends are paid only in cash to shareholders' accounts.
1.12	After making a decision on the payment of dividends, the Company additionally notifies shareholders of the need to update the data necessary for the payment of dividends (bank account details, mailing address, etc.).
1.13	The Company declares the payment of dividend only if there is a sufficient amount of profit for the reporting year, cash flow subject to the implementation of investment programs, and all obligations to return funding (if any).
1.14	The company provides a reliable way of accounting for rights to shares by concluding an agreement on maintaining the register of shareholders with a person who has a license under the law, a high reputation, and well-established technologies that allow for the most efficient way to ensure the accounting of shareholders' property rights (registrar of DRAGA JSC).

II. BOARD OF DIRECTORS

2.1	The Board of Directors carries out strategic management and controls the activities of the sole executive body of the Company.
2.2	The competencies of the Board of Directors is established by the Articles of Association of OJSC Severneftegazprom and the Regulation on the Board of Directors of OJSC Severneftegazprom (approved by the General Meeting of Shareholders on November 2, 2009, Minutes № 8/2009).



13

- Ethics and integrity
- Registration information

132

134



2.3	In accordance with the Articles of Association of OJSC Severneftegazprom, the competencies of the Board of Directors include the election of the General Director and the early termination of his/her powers.	2.13	Meetings of the Board of Directors are held in accordance with the approved work plan, and also, as necessary, at least once every two months as a rule.
2.4	The Board of Directors annually approves the Annual Program and Budget of the Company for the coming year. The competencies of the Board of Directors also include determining the priority areas of the Company's activities, approving long-term plans and investment programs of the Company's activities as well as amendments to the current Long-Term Development Plan and Budget of the Yuzhno-Russkoye Oil and Gas Field.	2.14	The Articles of Association of OJSC Severneftegazprom stipulates that a notice of the convening of a meeting of the Board of Directors in absentia with the application of explanatory materials on agenda items shall be sent to members of the Board of Directors not later than twenty (20) calendar days before the meeting date, and if the meeting is held in presentia, not later than fifteen (15) calendar days before the meeting date.
2.5	The Annual Report discloses information on the number of meetings of the Company Board of Directors held over the past year, as well as information on the most significant issues on the agenda considered by the Board of Directors.	2.15	The Articles of Association of OJSC Severneftegazprom define the content of the notice of the meeting of the Board of Directors as well as the procedure for its sending and ensuring its timely receipt.
2.6	The shareholders of the Company have the opportunity to send written requests to the Chairman of the Board of Directors on issues within the competence of the Board of Directors, as well as to communicate their position to him through the office of the Chairperson of the Board of Directors and through the Company's subdivision the task of which is to interact with shareholders.	2.16	The Articles of Association of OJSC Severneftegazprom establishes that decisions on the most significant issues of the operating (production) and financial activities of the Company shall be adopted unanimously by elected members of the Board of Directors.
2.7	The Board of Directors does not include persons who are participants in a legal entity competing with the Company, holding positions in its executive bodies or are its employees.	2.17	The Company has a Technical Committee. The main function of the Committee is to provide the Board of Directors with recommendations on all significant technical issues related to the Company's activities. Regulation on Technical Committee was approved by the Decision of the Board of Directors (Minutes № 19/2009 dated October 29, 2009). The Technical Committee is composed of 8 members; also, experts without the right to vote may be involved in its activities. The appointment of members of the Committee and the termination of their authority falls within the competence of the Board of Directors.
2.8	Candidates nominated to the Company Board of Directors submit their written consent to be elected to the managing body; the consent information is provided to shareholders in preparation for the General Meeting of Shareholders.	2.18	The Technical Committee under the Board of Directors hears reports of the General Director on the implementation of the Annual Work Program and the Budget of the Company; on the implementation of maintenance and overhaul programs; on the implementation of the plan for the upgrading, modernization, and technical reequipment of facilities; on the results of works performed in the field of labor protection and industrial safety and environmental protection; on the implementation of innovative and inventive activities.
2.9	All decisions of the Board of Directors are made with taking into account the compliance with the environmental and social standards adopted by the Company that meet international standards — ISO 14001: 2015 Environmental Management System; ISO 45001: 2018 Industrial safety management system.	III. CORPORATE SECRETARY	
2.10	The company provides the members of the Board of Directors with the information necessary for the effective fulfillment of their duties in preparation for meetings of the Board of Directors (including information in English), as well as additional information upon requests of members of the Board of Directors.	3.1	V.F. Veremyanina, Deputy General Director for Legal and Corporate Governance, holding a degree in law and having ten-year-plus management experience performs the functions of the Secretary of the Board of Directors in the Company. According to the results of 2011, 2012, and 2013, she was rated 2nd and 3rd in the Corporate Governance Directors Rating according to the Managers Association.
2.11	The Articles of Association of OJSC Severneftegazprom provides for the possibility of holding meetings of the Board of Directors both in presentia and in absentia, as well as the possibility to take into account a written opinion of a member of the Board of Directors who is absent from the meeting in presentia — to determine the quorum and voting results.	3.2	The election and termination of powers of the Secretary of the Board of Directors are carried out by decision of the Board of Directors.
2.12	The minutes of the meeting of the Board of Directors shall contain information on how each member of the Board of Directors voted on the items on the meeting agenda.		



3.3	The Company has created a structural subdivision (corporate regulation department), which ensures interaction between the Company's management bodies in accordance with their competencies defined by the Federal Law on Joint-Stock Companies and the Articles of Association of OJSC Severneftegazprom.	6.4	The official website on the Internet additionally discloses information on the main activities of the Company, its capital structure, including information on the number of voting shares by category (type) of shares and shareholders owning more than 5% of the Company's authorized capital, information on social and environmental responsibility, including sustainable development report compiled in accordance with internationally recognized GRI standards (incorporated into the Annual Report).
IV. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES AND OTHER KEY EXECUTIVES			
4.1	The amount of remuneration provided by the Company to members of the Board of Directors, executive bodies and other key executives creates sufficient motivation for their effective work, allowing the Company to attract and retain competent and qualified specialists.	6.5	In addition, the Company discloses information on its financial state on its official website by posting the annual and interim financial statements of the Company drawn up in accordance with International Financial Reporting Standards (IFRS). The Company includes the following additional information in the Annual Report: – addresses to the shareholders from the Chairman of the Board of Directors and the General Director, containing an assessment of the Company's activities for the year; – information on the Company securities; – the main production indicators of the Company; – results of the Company achieved during the year in comparison with the planned indicators; – information on investment projects and strategic objectives of the Company; – prospects for the development of the Company (sales volume, productivity, revenue growth, profitability, ratio of own and borrowed funds); – description of the corporate governance system in the Company; – The Company's social policy description, social development, employees' health protection and professional training, and ensuring labor safety; – information on the Company's policy in the field of environmental protection and ecology.
4.2	The members of the Board of Directors are paid a fixed annual remuneration in cash, the amount of which is calculated from the basic amount of remuneration, taking into account indexation in accordance with the current procedure for the formation of planned indicators in the Company, as well as the number of meetings in which a member of the Board of Directors participated.	6.6	If the shareholder's request for access to documents or copies of documents contains typos and other minor defects, the Company does not refuse such a request.
V. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM			
5.1	The Company has a separate structural subdivision of internal control — the internal audit department.		
5.2	The Company implements an anti-corruption policy (section of the Code of Corporate Ethics) that defines measures aimed at developing elements of corporate culture, organizational structure, rules, and procedures for ensuring the prevention of corrupt practices.		
VI. DISCLOSURE OF INFORMATION ABOUT THE COMPANY, INFORMATION POLICY			
6.1	By order of the Director General, the procedures have been implemented in the Company to ensure the coordination of all services and structural subdivisions related to information disclosure or carrying out the activities that may lead to the need for information disclosure.		
6.2	Information on the Company's activities published on the corporate official website of the Company on the Internet is sufficient to form an objective view of the essential aspects of its activities.		
6.3	The Company's official website discloses information on the corporate governance system of the Company, on the executive body of the Company, on the composition of the Board of Directors and the Technical Committee as well as information on compliance with the principles and recommendations of the Code of Corporate Governance (Annual Reports of the Company).		



Ethics and integrity

SINCE 2014, THE COMPANY HAS BEEN IMPLEMENTING A CODE OF CORPORATE ETHICS, ESTABLISHING CORE CORPORATE VALUES AS WELL AS THE MOST IMPORTANT RULES OF BUSINESS CONDUCT BASED ON THEM AND ADOPTED BY THE COMPANY. THE CODE OF CORPORATE ETHICS APPLIES TO ALL EMPLOYEES AS WELL AS COUNTERPARTIES OF THE COMPANY.

Familiarization with the provisions of the Code of Corporate Ethics is mandatory for all new employees of the Company when hired. In addition, the Company provides regular training aimed at clarifying the basic rules of business conduct, which are regulated by the Code. In 2019, all employees of the Company were trained in practices under the Code of Corporate Ethics.

Responsibility for the organization of work to implement the requirements and provisions of the Code rests with the Corporate Ethics Commission.

The Company has created a mechanism for seeking advice on issues of ethical and law-abiding behavior as well as on issues associated with dishonesty.

The facts of such behavior should be reported:

to one's immediate supervisor;

to the Corporate Ethics Commission.

The interaction mechanism is implemented via e-mail and verbal telephone consultations. The Corporate Ethics Commission considers all complaints on a confidential basis. Anonymous messages are also subject to consideration. The Company guarantees that reporting by employees any facts of violation of the Code of Corporate Ethics will not cause negative consequences regarding the official position of the employee reporting such information.

The Corporate Ethics Commission has overall responsibility for the communication mechanisms.

In 2019, there were no cases of conflict or violation of the interests of the Company, following the consideration of appeals by the Commission.

An important part of the Code of Corporate Ethics is the anti-corruption policy aimed at compliance of the anti-corruption measures implemented by the Company with applicable legislation. The anti-corruption policy is implemented taking into account the corruption risks the Company may be exposed to due to its activities. The Company openly informs counterparties, partners, and the public about its adopted anti-corruption standards of business. The Company's management is actively involved in establishing a culture of intolerance to corruption and in creating an internal organizational system which efforts are to prevent and combat corruption in the Company.

In accordance with Federal Law № 273-FZ of the Russian Federation On Countermeasures to Combat Corruption dated December 25, 2008, and the Code of Corporate Ethics, the Company employees are informed about the anti-corruption policy and methods combating it.

No facts of detection and confirmation of corrupt practices in the Company occurred in the reporting period.



CORPORATE VALUES AND ETHICAL PRINCIPLES OF OJSC SEVERNEFTEGAZPROM:

PROFESSIONALISM	Deep knowledge of the specialty, timely and high-quality implementation of tasks, continuous improvement of knowledge and skills.
INITIATIVE	A proactive approach and independence of employees in the optimization of the production process.
PRUDENCE	Responsible and careful approach to the use of the assets of the Company, to own working time and time of other employees.
MUTUAL RESPECT	Team spirit in work, trust, friendliness and, cooperation in fulfilling the tasks assigned.
HONESTY	Honest behavior, in compliance with ethical and legal standards, willingness to take personal responsibility for one's actions.
OPENNESS TO DIALOGUE	An open and honest exchange of information, willingness to jointly work out the best solution.
SOCIAL RESPONSIBILITY	Responsibility to colleagues and partners, preservation of the environment and support of the indigenous minority peoples of the North.
CONTINUITY	Respect for the work and experience of older generations, communication of beginners with experienced workers, vocational training and mentoring.
POSITIVE IMAGE	The use of techniques and strategies aimed at creating a positive opinion about the Company.



Registration Information:

FULL COMPANY NAME:

Open Joint Stock Company Severneftegazprom

The abbreviated company name of the Company in Russian:
OJSC Severneftegazprom

Full company name in English:
Open Joint Stock Company Severneftegazprom

The abbreviated company name of the Company in English:
OJSC Severneftegazprom.

LOCATION AND POSTAL ADDRESSES:

Location: 22 Lenina Str., settlement of Krasnoselkup,
Krasnoselkup District, 629380 Yamal-Nenets Autonomous
District

Postal address: P/O box 1130, Novy Urengoy, 629300,
Yamal-Nenets Autonomous District

E-mail address — sngp@sngp.com

SOURCES WHERE THE COMPANY DISCLOSES INFORMATION

The Company publishes information on the Company's
website on the Internet at www.severneftegazprom.com

DATE OF STATE REGISTRATION OF THE COMPANY AND THE REGISTRATION NUMBER:

Certificate № 1231, series PR-1, of state registration of
the enterprise was issued to LLC Severneftegazprom
by the Administration of the Purovsky District of the
Yamal-Nenets Autonomous District on March 10, 1998,
on the grounds of Decision № 184 dated March 10,
1998.

Certificate № R-16625.16 of registration and entry
into the state register of commercial organizations
was issued to OJSC Severneftegazprom by the State
Registration Chamber at the Ministry of Justice of the
Russian Federation on June 15, 2001, in connection
with the reorganization by transforming LLC
Severneftegazprom on the grounds of Minutes № 5
of the Extraordinary General Meeting of Shareholders
dated June 1, 2001 (former registry number: R-16447.15
dated May 31, 2001).

The certificate of entry into the Unified State Register
of Legal Entities on registration of a legal entity
before July 1, 2002, under Primary State Registration
Number 1028900699035, was issued by the Interdistrict
Inspectorate № 3 of the Ministry for Tax and Revenue
of Russia for the Yamal-Nenets Autonomous District on
December 19, 2002.

INFORMATION ON THE REGISTRAR OF THE COMPANY:

JSC Specialized Registrar — Holder of Registers of Shareholders
of Gas Industry (JSC DRAGA).

Location and postal address: 71/32 Novocheremushkinskaya
Str., 117420, city of Moscow, telephone: (495) 719-40-44, fax:
(495) 719-45-85.

License № 045-13996-000001 for maintaining the register
of securities holders was issued by the Federal Commission
for the Securities Market of Russia (the Bank of Russia) on
December 26, 2003, for an unlimited period.

MAIN ACTIVITIES:

Development of the Yuzhno-Russkoye Gas And Oil Field;

Exploration;

Production, transportation, and sale of produced
hydrocarbons and other raw materials;

Activities of the owner/developer;

Transportation of goods and passengers by road, both on
their own and on leased vehicles;

Activities of paramedical personnel; organization of activities
of health centers.



LICENSES:

The Company has a license for geological surveying and
production of hydrocarbons within the Yuzhno-Russian subsoil
area located in the Krasnoselkup District of the Yamal-Nenets
Autonomous District of the Tyumen Region. Series SLKh
№ 11049 NE. The license is issued on December 23, 1993.
The license expires on December 31, 2043.

Also, the Company has more than 10 permits (licenses) for
other types of activities, is a member of such self-regulatory
organizations as Union of Builders of the Yamal-Nenets
Autonomous District, Association of the Gas and Oil Sector
Engineering Survey Organizations "Engineer-Surveyor," and
Association of the Gas and Oil Sector Design Organizations
"Design Engineer".

REPRESENTATIVE OFFICES OF THE COMPANY

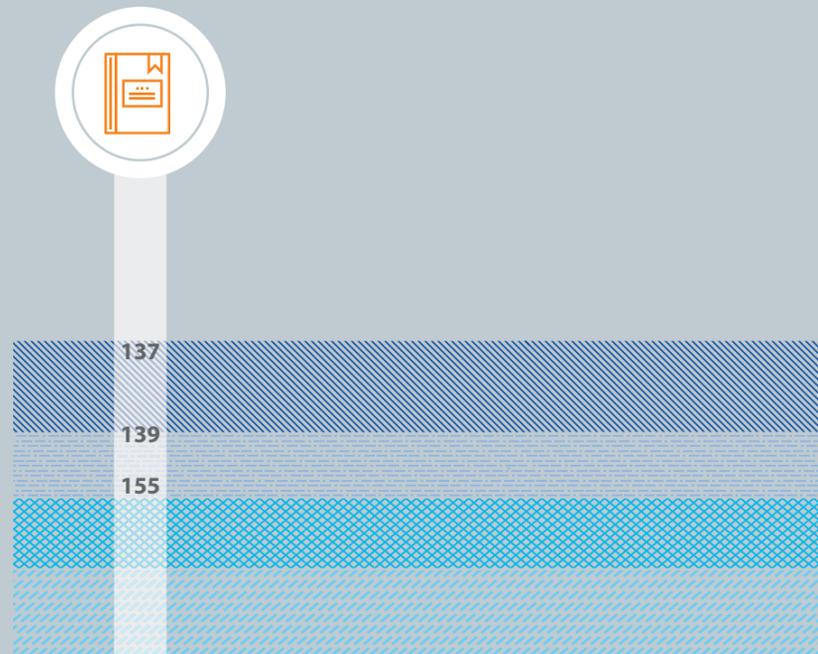
The Company has structural subdivisions in Novy Urengoy,
Urengoy, Tyumen, and Moscow.

The Company has no subsidiaries and affiliates.

CONCLUSION

14

- Principles of report preparation
- Information disclosure
- Feedback form



Principles of report preparation

The Company's management confirms that it is responsible for the reliability of the data concerning the sustainable development published in this Report in order to satisfy the justified needs of such information on the part of its target users.

The structural subdivision of the Deputy General Director for Development and Strategic Planning of OJSC Severneftegazprom is responsible for the preparation of nonfinancial statements and the determination of key priorities for their content. Key topics and issues of importance for both the Company and the public were identified in the course of interaction with stakeholders and heads of subdivisions responsible for the economic, social, and environmental activities of the Company, and included in the working group on sustainable development.

The limits and level of disclosure of material topics included in the Report were also determined. Financial and economic results, well-being of employees, including professional development of personnel, and social projects in the regions where the Company operates as well as environmental safety are among them. Special attention is paid to issues of occupational and industrial safety, which reflects the Company's desire to improve constantly the indicators in this area, as well as the volume of investments and labor costs.



The report provides information on the activities of all structural divisions of OJSC Severneftegazprom relating to the social area, results in the field of environmental protection and industrial safety for the 2019 calendar year.

In order to prepare the Sustainability Report, data were collected and systematized on the grounds of internal corporate information requests.

OJSC Severneftegazprom sets the achievement of transparency of information about its activities as its main goal. Full disclosure of information and ensuring the quality of published data is the main value of the Report, which is based on the principles of international reporting in the field of sustainable development. The main approaches to the preparation of the Report are the balance, reliability, and essentiality of information on the economic, social, and environmental activities of the Company.



1. ESSENTIALITY. The report reflects all significant topics, issues and indicators of the economic, environmental, and social impact of the Company's activities, taking into account their results assessment by the management for the reporting period, and the interest of stakeholders.

2. COVERAGE OF STAKEHOLDERS. The Company has a systematic approach to interacting with stakeholders, which allows us to take into account public opinions and expectations reasonably.

3. THE CONTEXT OF SUSTAINABLE DEVELOPMENT. The report provides balanced and reasonable information on all aspects of the Company's sustainable development.

4. COMPLETENESS. The Report provides information on all areas of the Company's sustainable development for the reporting period in accordance with the requirements of the GRI Standards standard and industry additions for the oil and gas sector.

5. BALANCE. The Report includes information on both the achievements of the Company and the need to improve certain processes.

6. COMPARABILITY. The methods for disclosing material information in the Report provide an opportunity for stakeholders to analyze changes in the performance of the Company over time.

7. ACCURACY. The Company seeks to reflect the results of its activities accurately and fully so that stakeholders can objectively evaluate it. For this, both qualitative descriptions and quantitative information based on financial and statistical reporting data are used.

8. TIMELINESS. Report preparation is planned and includes a process of interaction with internal and external stakeholders, audit certification, and publication.

9. CLARITY. The information in the report is presented in an understandable accessible form; the report avoids the use of highly specialized technical terminology, etc; information requiring special knowledge is not provided. The report repeatedly uses tables, charts, and graphs to visualize information.

10. RELIABILITY. The report provides reliable information that can be verified and confirmed. Some information reporting the results of the Company's activities in the field of sustainable development was independently confirmed by the company Financial and Accounting Consultants.



Information disclosure

ANNEX 1

THE LIST OF TRANSACTIONS EFFECTED BY THE COMPANY IN 2019 THAT ARE RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT-STOCK COMPANIES

In the reporting period, the Company did not conclude any transactions that are recognized as major transactions in accordance with the Federal Law on Joint-Stock Companies.

THE LIST OF TRANSACTIONS EFFECTED BY THE COMPANY IN 2019 THAT ARE RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT-STOCK COMPANIES:

	MATERIAL TERMS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	THE GOVERNING BODY THAT HAS APPROVED THE TRANSACTION
1	Supplementary Agreement № 30 to Gas Supply Contract № 25 Pk-2007 dated December 13, 2007, with PJSC Gazprom. Establishment of supply volumes and gas prices for 2019 H2: RUB 2052.19 for 1,000 cubic meters of gas (VAT excluded)	Company Shareholder — PJSC Gazprom Member of the Board of Directors: E.V. Mikhailova	Company Shareholder — PJSC Gazprom Member of the Board of Directors: E.V. Mikhailova
2	Supplementary Agreement № 27 to Gas Supply Contract № 28 Pk-2007 dated December 13, 2007, with CJSC Gazprom YRGF Trading. Establishment of supply volumes and gas prices for 2019 H2: RUB 2052.19 for 1,000 cubic meters of gas (VAT excluded)	Company Shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes № 58/2019 dated June 28, 2019
3	Supplementary Agreement № 23 to Gas Supply Contract № 144/SNGP-2009 dated October 29, 2009, with CJSC Gazprom YRGF Development. Establishment of supply volumes and gas prices for 2019 H2: RUB 2052.19 for 1,000 cubic meters of gas (VAT excluded)	Company Shareholder — PJSC Gazprom Member of the Board of Directors: T.G. Morris	General Meeting of Shareholders, Minutes № 58/2019 dated June 28, 2019
4	Contract № D41-S47618 with LLC Gazprom Transgaz Surgut for the provision of maintenance services for the export gas pipeline "Yuzhno-Russkoye Oil, Gas and Gas Condensate Field — KS Purtazovskaya," 0—64 km, Inventory № 001061010, and export gas pipeline, 64—94.7 km, Inventory № 000005114, — for 2019.	Company Shareholder — PJSC Gazprom	Notifications of intention to effect an interested party transaction were sent to the members of the Board of Directors on January 10, 2019. There were no requests to convene a meeting of the Board of Directors.
5	Contract № 3.2-2/2019 for the performance of geophysical studies and works in the wells with control over the development of the Yuzhno-Russkoye Field in accordance with the Minutes for Coordination of the Scope of Studies and Works, which is an integral part of the Contract with LLC Gazprom Georesurs	Company Shareholder — PJSC Gazprom	Notifications of intention to effect an interested party transaction were sent to the members of the Board of Directors on February 15, 2019. There were no requests to convene a meeting of the Board of Directors.



	MATERIAL TERMS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	THE GOVERNING BODY THAT HAS APPROVED THE TRANSACTION
6	Contract № 3.1/21-2018 with LLC Gazprom Georesurs for the performance of geophysical studies and works in the construction of production wells at the Turonian gas deposit of the Yuzhno-Russkoye Field. First start-up complex	Company Shareholder — PJSC Gazprom	Notifications of intention to effect a interested party transaction were sent to the members of the Board of Directors on July 23, 2019. There were no requests to convene a meeting of the Board of Directors.
7	Contract № 3.1/29-2019 with LLC Gazprom Nedra for the performance of geophysical studies and works in the construction of production wells at the Turonian gas deposit of the Yuzhno-Russkoye Field.	Company Shareholder — PJSC Gazprom Member of the Board of Directors: V.V. Cherepanov	Notifications of intention to effect an interested party transaction were sent to the members of the Board of Directors on October 25, 2019. There were no requests to convene a meeting of the Board of Directors.
8	Supplementary Agreement № 4 to Contract № 244-2016 with LLC Gazprom Geologorazvedka. Performance of works provided for by the Geological Assignment (annex to the contract) on the topic: "Recalculation of Initial Hydrocarbon Reserves in the Lower Cretaceous Deposits of the Yuzhno-Russkoye Field as of January 1, 2017," with the receipt of the Minutes approved by Federal Budgetary Institution State Commission on Mineral Reserves.	Company Shareholder — PJSC Gazprom Member of the Board of Directors: V.V. Cherepanov	Notifications of intention to effect an interested party transaction were sent to the members of the Board of Directors on December 6, 2019. There were no requests to convene a meeting of the Board of Directors.



ANNEX 2 GRI CONTENTS INDEX*

All GRI disclosures in this report are based on the GRI Standards 2016.

GRI 101 FOUNDATION

COMMENT	PAGE	EXTERNAL ASSURANCE
Principles of report preparation	-	No

GRI 102 GENERAL DISCLOSURES

DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
ORGANIZATIONAL PROFILE			
102-1	Registration Information	134	No
102-2	Status of raw material base	21	No
102-3	Registration Information	134	No
102-4	Registration Information	134	No
102-5	Registration Information	134	No
102-6	Position in the industry and development prospects	13—14	No
102-7	Financial Performance Report Indicators Headcount and personnel structure Registration information	52 84—87 134	No
102-8	Headcount and personnel structure	85—88	No
102-9	Interaction with stakeholders	98—104	No
102-10	The structure of the authorized capital did not change in the reporting period; no other actions to increase, secure, and change the amount of capital were performed		No
102-11	The company adheres to the 15th Principle of the UN Declaration on Environment and Development adopted in Rio de Janeiro June 3-4, 1992		No
102-12	The Company did not join charters developed by external parties		No
102-13	member of the self-regulatory organizations Association of the Gas and Oil Sector Engineering Survey Organizations "Engineer-Surveyor," and Association of the Gas and Oil Sector Design Organizations "Design Engineer". Since December 2013, the Company is a member of the International Business Congress e.V.		No
STRATEGY			
102-14	Message from Chairman of the Board of Directors Message from General Director	4 5	No
102-15	Major risk factors	123—127	No
ETHICS AND INTEGRITY			
102-16	Ethics and integrity Since 2014, the Company has been implementing a Code of Corporate Ethics, establishing core corporate values, as well as the most important rules of business conduct based on them and adopted by the Company. The Code of Corporate Ethics applies to all employees as well as counterparties of the Company. Familiarization with the provisions of the Code of Corporate Ethics is mandatory for all employees of the Company when hired. Besides, the Company provides regular training aimed at clarifying the basic rules of business conduct regulated by the Code. Responsibility for the organization of work to implement the requirements and provisions of the Code rests with the Corporate Ethics Commission composed of 4 members	132—133	No

* The GRI Content Index Service was performed on the Russian version of the report. For the Materiality Disclosures Service, GRI Services reviewed that the GRI Content Index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
102-17	Ethics and integrity The Company has created a mechanism for seeking advice on issues of ethical and law-abiding behavior as well as on issues associated with dishonesty manifestations via e-mail and verbal telephone conversations. The Corporate Ethics Commission considers all complaints on a confidential basis. Anonymous messages are also subject to consideration. The Company guarantees that reporting by employees any facts of violation of the Code of Corporate Ethics will not cause negative consequences regarding the official position of the employee reporting such information. In 2019, there were no reports of unethical or illegal behavior as well as problems related to dishonesty in the Company.	132-133	No
GOVERNANCE			
102-18	Governance structure The General Meeting of Shareholders is the supreme management body of the Company, through which shareholders exercise their right to participate in managing the Company. The Board of Directors is a management body that exercises general management of the Company and is responsible for strategic management aimed at fulfilling long-term goals and objectives, as well as monitoring the performance of the Company. The Technical Committee under the Board of Directors is a consultative and advisory body of the Board of Directors of the Company, established for preliminary consideration of the most important technical issues within the competencies of the Board of Directors. The General Director is the sole executive body managing the current activities of the Company and implementing the strategy determined by the Board of Directors.	109-117	No
102-22	Management body structure	109-117	No
102-23	Chairman of the Board of Directors is not an executive director		No
102-25	In accordance with Article 82 of the Federal Law on Joint-Stock Companies, members of the Board of Directors, the General Director, and the shareholders of the Company disclose information about their interest in the transaction to be effected by the Company. In order to prevent a conflict of interests, the Company complies with the provisions of the Law on Joint-Stock Companies regarding the procedure for sending members of the Board of Directors notifications and approval of interested-party transactions. The company provides quarterly disclosures of its affiliates list on the official website and the website of Interfax, a news agency. The annual report of the Company discloses a list of transactions the Company effected in the reporting year with interested parties, indicating for each transaction the interested person, the material conditions and the governing body of the Company that made the decision on its approval		No
102-29	Interaction with stakeholders The Technical Committee under the Board of Directors considers reports on the implementation of the Annual Work Program and the Budget of the Company as well as reports on the results of work in the field of labor protection, industrial safety, and environmental protection	98-104	No
102-31	Interaction with stakeholders The Technical Committee under the Board of Directors reviews the quarterly progress report on labor protection, industrial safety, and environmental protection	98-104	No
102-32	The Company's Sustainability Report as part of the Company's Annual Report shall be subject to preliminary consideration by the Technical Committee and the Board of Directors. The Annual Report shall be approved by the General Meeting of Shareholders		No
102-35	Payment for labor Remuneration of members of the Board of Directors. The remuneration of the General Director of the Company is exercised according to a time-individual system that provides for the payment of wages based on the monthly official salary established by the Wage Agreement, which is an annex to the employment contract, as well as compensation and incentive payments. The list of social guarantees and compensations to the General Director is established in the employment contract	109-117 129-131	No
STAKEHOLDER ENGAGEMENT			
102-40	Interaction with stakeholders	98	
102-41	In 2019, all obligations of the employer regarding the provision of social benefits, guarantees, and compensations to employees under the Collective Agreement of the Company for 2018-2019 were fulfilled completely. Employee coverage by the Collective Agreement is 100%.		
102-42	Interaction with stakeholders	98	
102-43	Interaction with stakeholders	98-101, 104	No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
102-44	Interaction with stakeholders In 2019, no concerns were submitted by stakeholders in the framework of interaction with the Company. Key topics of interaction are financial assistance in the framework of existing cooperation agreements	98-101, 104	No
REPORTING PRACTICE			
102-45	Prioritizing	65-66	
102-46	Principles of report preparation	137-138	No
102-47	Prioritizing	65-66	No
102-48	Principles of report preparation	137-138	No
102-49	Principles of report preparation	137-138	
102-50	2019		No
102-51	June 6, 2019		No
102-52	Annual		No
102-53	Feedback form	155	No
102-54	Sustainable development	65	No
102-55	GRI Content Index	141-151	No
102-56	Conclusion on the results of external assurance	153-154	No

MATERIAL TOPICS

DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
SERIES OF STANDARDS: ECONOMIC			
GRI 201 ECONOMIC PERFORMANCE			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	Management approach and its components Key financial indicators	51	
103-3	Evaluation of the management approach Key financial indicators	51	
201-1	Key financial indicators Financial Performance Report Indicators Interaction with stakeholders Report on the payment of declared (accrued) dividends on shares of the Company	51 52 98-104 121	No
201-3	Payment for labor and staff social assistance	90-91	No
201-4	Key financial indicators Financial Performance Report Indicators Financial and operational activities management and supervision bodies	51 52 109-117	No
GRI 204 PROCUREMENT PRACTICES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	Management approach and its components Interaction with stakeholders	101	
103-3	Evaluation of the management approach Interaction with stakeholders	101	
204-1	Interaction with stakeholders	101	No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
GRI 205 ANTI-CORRUPTION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Ethics and integrity	132–133	
103-3	Evaluation of the management approach Ethics and integrity	132–133	
205-2	Ethics and integrity	132–133	No
205-3	Ethics and integrity	132–133	No
RESERVES			
GRI 103	Management approach		
103-1	Explanation of significant topics and boundaries	65–66	
103-2	Management approach and its components Status of raw material base	21	
103-3	Evaluation of the management approach Status of raw material base	21	
OG-1	Status of raw material base	21	No
SERIES OF STANDARDS: ENVIRONMENT			
GRI 301 MATERIALS			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Environmental protection	68	
103-3	Evaluation of the management approach Environmental protection	68	
301-2	No reusable/recyclable materials are used to produce basic products and services		No
GRI 302 ENERGY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Energy consumption and energy supply	74	
103-3	Evaluation of the management approach Energy consumption and energy supply	74	
302-1	The total fuel consumption within the organization from non-renewable energy sources is 8,341,970 GJ. • natural gas — 249.37 mln m ³ or 8,300,679 GJ; • motor gasoline — 249.00 tons or 10,881 GJ; • kerosene — 5 tons or 234 GJ; • diesel fuel — 710.00 tons or 30,175 GJ. The total fuel consumption within the organization from renewable sources energy is 0.	74–75	Yes, in terms of total energy consumption



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
	Total power consumption: • electric power — 139,583 GJ • heating — 159,108.26 GJ • cooling — 0 • steam — 0 Energy sold to consumers: • electric power — 4,422.49 GJ • heating — 0 • cooling — 0 • steam — 0 The total energy consumption within the organization is 8,362,118 GJ. Conversion factors used. 1 Kilowatt * hour = 3.6 * 10 ⁻³ GJ; 1 Gcal = 4.1868 GJ Natural gas: 1 thousand m ³ = 36.71 GJ Natural gas: 1 m ³ * (k = 1,154) = toe Petrol: 1 ton * 1.49 = toe * (k = 29.31) = GJ Diesel fuel: 1 ton * 1.47 = toe * (k = 29.31) = GJ Kerosene: 1 ton * 1.45 = toe * (k = 29.31) = GJ		
302-3	The energy demand is 1,982 mln kW*h/blrn m ³		No
302-4	Reduction of energy consumption usage as a result of energy-saving initiatives is 77,278 GJ. The calculation took into account savings in electricity and natural gas. The basis for calculating the energy savings is a comparison with the base year 2018 based on the goals and objectives of the Energy Management System	74–76	Yes, in terms of reduction of energy consumption
GRI 303 WATER			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Water supply	71	
103-3	Evaluation of the management approach Water supply	71	
	Water supply The total water withdrawal by source: • surface water, including water from wetlands, rivers, lakes, and oceans — 0; • groundwater is 93.83 thousand m ³ ; • rainwater directly collected and stored by the organization — 0; • sewage from another organization — 0; • municipal water supply systems or other state or private water enterprises is 5.91 thousand m ³ . The used standards, procedures and assumptions: devices for monitoring and measurement	71–72	Total water withdrawal by source
303-1			
303-2	Water supply The water intake of an organization does not have a significant effect on water sources. Impact assessment is based on the issued licenses SLKh 01821 VE and SLKh 01383 VE for the right to use subsoil resources as well as on the reserves estimation	71–72	No
303-3	Water supply The total volume of recycled water is 809.54 thousand m ³ . b. The total volume of recycled water as a percentage of the total water intake indicated in the reporting element is 303-1-1002%. The used standards, procedures and assumptions: devices for monitoring and measurement	71–72	No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
GRI 304 BIODIVERSITY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Environmental protection	68	
103-3	Evaluation of the management approach Environmental protection	68	
304-2	The organization does not have a significant direct and indirect effect on biodiversity		No
304-3	Reclamation was carried out on an area of 7.003 ha. Land transferred to the owner after acceptance by the commission of the Yamal-Nenets Autonomous District		No
304-4	There are no protected species listed in the IUCN Red List in the field		No
GRI 305 EMISSIONS			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Pollutant emissions	69–70	
103-3	Evaluation of the management approach Pollutant emissions	69–70	
305-1	The total volume of direct GHGs emissions amounted to 477.4076 thousand tons in CO ₂ equivalent Gases taken into account when calculating direct greenhouse gas emissions — CO ₂ , CH ₄ , CO ₂ emissions from biomass decomposition (solid waste landfill) — 0.195219 thousand tons. The base year is not defined in connection with the commissioning of new facilities, the technical reequipment, and a change in the methods of carrying out scheduled shutdown works. Global Warming Potential (GWP) — 25. Order № 300 of the Ministry of Natural Resources of Russia On Approval of Guidelines for the Quantitative Determination of Greenhouse Gas Emissions by Organizations Carrying out Economic and Other Activities in the Russian Federation dated June 30, 2015	69–70	No
305-2	In accordance with the regulatory and methodological framework of the Russian Federation, the collection of required information and reporting on indirect GHGs emissions is not carried out		No
305-3			No
305-4	The greenhouse gas emission intensity factor is 17.839. An organization-specific metric selected to calculate this ratio: numerator - volume of GHGs emissions, tons; denominator is extracted natural gas, mln m ³ . Types of GHGs emissions included in the calculation of the intensity factor: direct emissions (Coverage 1). The gas taken into account when calculating this indicator is methane	69–70	No
305-5	Pollutant emissions The total volume of reduction in GHGs emissions amounted to 34.225 thousand tons in CO ₂ equivalent, including: • reduction of CO ₂ emissions — 6.384 thousand tons; • reduction of GHGs emissions of CH ₄ is equivalent to CO ₂ — 27.842 thousand tons. The considered gases are CO ₂ , CH ₄ .	69–70	No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
	The base year is not defined in connection with the commissioning of new facilities, the technical reequipment, and a change in the methods of carrying out scheduled shutdown works. Order № 300 of the Ministry of Natural Resources of Russia On Approval of Guidelines for the Quantitative Determination of Greenhouse Gas Emissions by Organizations Carrying out Economic and Other Activities in the Russian Federation dated June 30, 2015. The total volume of direct emissions reduction (Coverage 1) CO ₂ -equivalent — 34,225 thousand tons.		
305-6	No ozone-depleting substances		No
305-7	Pollutant emissions	69–70	Yes, in terms of pollutant emission weight
GRI 306 EFFLUENTS AND WASTE			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Waste management	70–71	
103-3	Evaluation of the management approach Waste management	70–71	
306-1	Water supply The wastewater discharge standard established in the Engineering Project for the Burial of Industrial and Domestic Wastewater at the Yuzhno-Russkoye Oil and Gas Field is within 500 m ³ per day. 1. Wastewater is discharged by injection into an absorbing stratum. 2. Established standards for wastewater quality: Petroleum products, not more than 150 mg/dm ³ . Suspended substances, not more than 300 mg/dm ³ . Methanol, not more than — 40,000 mg/dm ³ . TEG, not more than — 4,000 mg/dm ³ . Hydrogen index, not lower — 6.8 pH. Dissolved oxygen, not more than 5 mg O ₂ /dm ³ . Hydrogen sulfide, not more than 15 mg/dm ³ . Sulfates, not more than 300 mg/dm ³ . Oxide iron, not more than 3 mg/dm ³ . 3. Wastewater is not reused by other organizations. Domestic wastewater arrives at the AE-150 B biological wastewater treatment plant where the mechanical separation of impurities and biological treatment takes place. Industrial rainwater is delivered to the Flottweg purification plant, where it is divided into three phases: oil products, the aqueous phase and mechanical impurities (dehydrated sludge). Further, the treated wastewater is mixed and sent for injection into an absorbing stratum	71–72	No
306-2	The total weight of hazardous waste is 820.786 tons by method (including 26.434 tons accumulated in 2018): • reuse (transfer to contractor) — 13.802 tons; • recycling — 0 tons; • composting — 0 tons; • recovery, including energy recovery (transfer to a contractor) — 47.865 tons; • burning (mass burning) (transfer to contractor) — 2.781 ton; • injection into deep underground horizons — 0 tons; • storage at the enterprise site — 21.906 tons; • transfer of a contractor for decontamination — 0.366 tons; placement at the landfill total — 760.500 tons, of them: at the contractor's landfill — 68.500 tons, at the company's landfill — 692.000 tons	70–71	Yes, in terms of total weight of waste generation



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
	<p>The total mass of nonhazardous waste, disaggregated by the following disposal methods, is 79.900 tons (including 2.9 tons accumulated in 2018):</p> <ul style="list-style-type: none"> • reuse — 0 tons. • recycling — 0 tons. • recovery — 0 tons. • recovery, including energy recovery (transfer to a contractor) — 40.100 tons. • burning (mass burning) — 0 tons. • injection into deep underground horizons — 0 tons. • Placement at the landfill — 33.600 tons, of which: at the contractor's landfill — 5.600 tons, at the Company's landfill — 28.000 tons. • storage at the enterprise site — 9.100 tons • other — 0 tons <p>The information was obtained on the basis of our data (regarding waste disposed of at our facilities) and standard data from the waste disposal contractor (regarding waste transferred to a third-party organization).</p> <p>The increase is associated with the generation of waste accumulated during the treatment of industrial wastewater, due to an increase in the volume of condensate water, and the formation of solid waste disposed of at the landfill in connection with scheduled maintenance work at existing facilities</p>		
306-3	No spills were recorded in 2019		No
306-4	<p>Transportation of hazardous waste:</p> <ul style="list-style-type: none"> • Transported hazardous waste — 133.314 tons; • Imported hazardous waste — 0 t; • Exported hazardous waste — 0 t; • Recycled hazardous waste — 0 t; <p>The share of hazardous waste transported to foreign destinations is 0 tons;</p> <p>The principles for categorizing waste as hazardous and nonhazardous are based on Federal Law № 89-FZ On Production and Consumption Wastes dated June 24, 1998 (as amended on December 25, 2018).</p> <p>Wastes of I-IV hazard classes are categorized as hazardous, wastes of hazard class V — as nonhazardous</p>		No
306-5	There are no water bodies affected by wastewater discharge		No
OG- 5	<p>The total volume of formation water is 13.07 thousand m³.</p> <p>The volume/share of formation water back-injected is 13.07/100%.</p> <p>Criteria for disposal and wastewater treatment are established in the Engineering Project for the Burial of Industrial and Domestic Wastewater at the Yuzhno-Russkoye Oil and Gas Field.</p> <p>The established standard for the quality of wastewater by petroleum products is not more than 150 mg/dm³</p>		No
OG- 6	<p>The volume of hydrocarbons flaring is 6,551.309 thousand m³, including 6,437.886 thousand m³ during well exploration.</p> <p>The volume of continuous flaring of hydrocarbons is 39.310 thousand m³.</p> <p>The volume of flared hydrocarbons is 533.727 thousand m³.</p> <p>The volume of constantly flared hydrocarbons is 0 thousand m³.</p> <p>Torch burning and flaring for gas and oil production, taking into account the volume of production, is 161.270 mln barrels in oil equivalent</p>		No
OG- 7	Accounting and disposal of drilling waste are carried out by a contractor		No
GRI 307 ENVIRONMENTAL COMPLIANCE			
GRI 103	Management approach		
103-1	Explanation of significant topics and boundaries	65–66	
103-2	Management approach and its components Environmental protection	68	
103-3	Evaluation of the management approach Environmental protection	68	



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
307-1	No fines and nonfinancial sanctions for noncompliance with environmental laws and/or regulations were presented in 2019		No
CATEGORY: SOCIAL			
GRI 401 EMPLOYMENT			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	85	
103-3	Evaluation of the management approach Staff and Social Policy	85	
401-1	Headcount and personnel structure 18.6% — the total employee turnover in 2019 calculated in accordance with GRI standards	87–88	Yes, in terms of total employee turnover
401-3	Headcount and personnel structure	85–87	No
GRI 403 OCCUPATIONAL HEALTH AND SAFETY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Labor protection	77–78	
103-3	Evaluation of the management approach Labor protection	77–78	
403-1	Central Standing Commission on Labor Protection and Industrial Safety, Level IV, has been created and has been operating in OJSC Severneftegazprom		No
403-2	Health protection Number of injuries of personnel — 2 Absentee rate — 2.99%	78–80	Yes, in terms of the number of injuries of personnel and the absentee rate
403-3	Occupation and production safety The company does not list employees engaged in professional activities associated with high injuries or a high risk of certain diseases		No
403-4	The relationship between employees and the Company is based on the Collective Agreement		No
GRI 404 TRAINING AND EDUCATION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	92	
103-3	Evaluation of the management approach Staff and Social Policy	92	
404-1	Personnel development and performance management	92–93	Yes, in terms of the average annual number of training hours per employee, by employee gender and category
404-3	Personnel development and performance management Formation of a personnel reserve and work with young specialists	94	No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	85–87	
103-3	Evaluation of the management approach Staff and Social Policy	85–87	
405-1	Headcount and personnel structure	85–87	No
GRI 406 NON-DISCRIMINATION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	89	
103-3	Evaluation of the management approach Staff and Social Policy	89	
406-1	Human resources / personnel management	89	No
GRI 408 CHILD LABOR			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	89	
103-3	Evaluation of the management approach Staff and Social Policy	89	
408-1	Human resources / personnel management	89	No
GRI 409 FORCED OR COMPULSORY LABOR			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Staff and Social Policy	89	
103-3	Evaluation of the management approach Staff and Social Policy	89	
409-1	Human resources / personnel management	89	No
GRI 411 RIGHTS OF INDIGENOUS PEOPLES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Interaction with stakeholders	98	
103-3	Evaluation of the management approach Interaction with stakeholders	98	
411-1	Interaction with stakeholders In 2019, there were no cases of complaints about violations of the rights of indigenous peoples of the North		Yes
OG-9	Interaction with stakeholders The territorial remoteness of the Yuzhno-Russkoye Field from the geographical habitats of indigenous peoples eliminates a possibility for the local communities to get affected by the Company		No



DISCLOSURE	COMMENT	PAGE	EXTERNAL ASSURANCE
GRI 413 LOCAL COMMUNITIES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Interaction with stakeholders	98	
103-3	Evaluation of the management approach Interaction with stakeholders	98	
413-1	Interaction with stakeholders	100–101	No
OG-10	Interaction with stakeholders There are no disagreements with local communities and indigenous peoples related to the activities of the Company, as well as incidents involving the infringement of the interests of indigenous peoples (related to land, other relevant resources, etc.)		No
INVOLUNTARY RELOCATION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Interaction with stakeholders	98	
103-3	Evaluation of the management approach Interaction with stakeholders	98	
OG-12	Interaction with stakeholders Due to the territorial remoteness of the Yuzhno-Russkoye Field from geographical locations assigned to various indigenous cultural groups, the Company's production activities do not entail the need for forced resettlement of the representatives of indigenous minorities of the North. Thus, there are no cases of involuntary resettlement, both in terms of forced physical movement, and concerning the violation of the economic situation (loss of assets or access to resources) of households and representatives of local communities		No
ASSET INTEGRITY AND PROCESS SECURITY			
GRI 103	Management approach Occupation and production safety		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Occupation and production safety	77–78	
103-3	Evaluation of the management approach Occupation and production safety	77–78	
OG-13	Occupation and production safety No accident was registered at the Company facilities		Yes, in terms of the number of accidents
MARKETING AND LABELING			
GRI 103	Management approach Interaction with stakeholders		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	Management approach and its components Interaction with stakeholders	98–104	
103-3	Evaluation of the management approach Interaction with stakeholders	98–104	
417-3	In 2019, there were no cases of noncompliance with regulatory requirements and voluntary codes regarding marketing communications, including advertising, product promotion, and sponsorship		No

* All GRI indicators disclosed in this Report are based on the 2016 version of GRI Standards.



ANNEX 3 METHODOLOGY FOR CALCULATING MATERIAL INDICATORS OF THE COMPANY OPERATION IN THE FIELD OF SUSTAINABLE DEVELOPMENT THAT RECEIVED INDEPENDENT ASSURANCE

INDICATOR	CALCULATION METHODS AND LIMITS
Total employee turnover	The staff turnover rate is calculated in accordance with two methods: 1) The methodology of PJSC Gazprom: the ratio of the number of employees resigned voluntarily and without good reason to the average headcount for the reporting period (the Headcount and Personnel Structure section); 2) The GRI standards methodology: the ratio of the number of all resigned employees to the number of employees at the end of the reporting period (Annex 2 — GRI Content Index). The indicator takes into account the employees of all subdivisions of the Company in accordance with the limits of the Report
Number of injuries of personnel	When calculating the number of accidents for 2019, injuries of all types of severity were taken into account, which caused the employee to lose the working ability for at least one (1) day. The indicator takes into account the employees of all subdivisions of the Company in accordance with the limits of
Pollutant emission weight	The pollutant emission is the sum of the emissions of nitrogen oxides, sulfur oxides, methane, carbon monoxide, volatile organic substances, and solids — expressed in tons. The calculation was made according to the Company's emission sources located at YROGGCF, Gas and Gas Condensate Field
Total water withdrawal by source	The total amount of water withdrawn is calculated as the total amount of withdrawn groundwater, stratum and purchased (municipal) water. The calculation includes water consumption by the Company's subdivisions in Urengoy, Novy Urengoy, and at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field
Total weight of waste generation	The total weight of waste is calculated as the total weight of waste of all hazard classes, generated in the Company's subdivisions in Urengoy, Novy Urengoy, and at the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field
Total energy consumption	The total energy consumption includes the consumption of nonrenewable fuels (natural gas, gasoline, diesel fuel, and kerosene), purchased electricity less energy sold to third parties, and purchased heat. The energy consumption of each type is converted to GJ, taking into account the conversion factors. The indicator includes energy consumption by the Company's subdivisions in Urengoy, Novy Urengoy, and at Yuzhno-Russkoye Oil, Gas and Gas Condensate Field
Percentage of competitive procedures from the total volume of procurements	The share of tender-based procurement is calculated as the ratio of the amount under contracts concluded with a counterparty that is the winner of tender, to the total amount of concluded contracts for the reporting period. The indicator takes into account purchases of all subdivisions of the Company in accordance with the limits of the Report. The indicator is calculated including VAT. Procurement of the reporting year includes procurement under contracts with a conclusion date within the reporting year. Contracts involving performance over several years are taken into account in the year of conclusion in full amount
Number of cases of complaints of violations of the rights of indigenous peoples of the North	Cases of complaints of violations of the rights of the indigenous peoples of the North for the reporting period are calculated based on entries in a single incoming complaint and feedback journal and feedback where all incoming complaints from stakeholders are consolidated. The indicator takes into account cases of complaints of violations of the rights of indigenous peoples of the North received by all subdivisions of the Company within the frames of the report
Absentee rate	The absence rate is calculated as the ratio of absence days to the total working time actually worked by workers for the reporting period
Average annual training hours per employee, with a breakdown by gender and employee category	The indicator is calculated in accordance with the GRI standard as the ratio of the number of training hours to the total number of the corresponding category or gender
Number of accidents	This indicator is disclosed based on data on recorded accidents in the reporting period. Accidents are understood in accordance with Federal Law № 116-FZ On Industrial Safety of Hazardous Production Facilities dated July 21, 1997
Reduction of energy consumption	Electricity and natural gas savings were taken in the calculation. The basis for calculating energy consumption reduction is a comparison with the reference year 2018 based on the goals and objectives of the Energy Management System



ANNEX 4 REPORT ON THE RESULTS OF EXTERNAL ASSURANCE

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT [TRANSLATION FROM RUSSIAN ORIGINAL]*

To the management of Open Joint Stock Company
"Severneftegazprom"

We have undertaken a limited assurance engagement of the information on sustainable development in the accompanying Annual Report for 2019 of OJSC Severneftegazprom (hereinafter referred to as Report) compliance with the requirements of GRI Sustainability Reporting Standards (hereinafter referred to as Standards). Information on sustainable development, included in the Report, means twelve material sustainability performance indicators published in the Report (hereinafter referred to as Selected Indicators) selected by the working group on sustainable development of Open Joint Stock Company Severneftegazprom (hereinafter referred to as OJSC Severneftegazprom):

- 1) Total employee turnover;
- 2) The average annual number of training hours per employee, by employee gender and category;
- 3) Number of accidents;
- 4) Number of injuries of personnel;
- 5) Absentee rate;
- 6) Number of cases of complaints about violations of the rights of indigenous peoples of the North;
- 7) Total energy consumption;
- 8) Reduction of energy consumption;
- 9) Total water withdrawal by source;
- 10) Pollutant emission weight;
- 11) Total weight of waste generation;
- 12) Percentage of competitive procedures from the total volume of procurements.

RESPONSIBILITY OF OPEN JOINT STOCK COMPANY "SEVERNEFTEGAZPROM"

OJSC Severneftegazprom is responsible for preparation of the above information on sustainable development in the Report in compliance with the requirements of Standards. This responsibility includes the design, implementation and maintenance of internal control relevant to the

preparation of the above information on sustainable development in the Report that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The firm applies International Standard on Quality Control 1, Quality Control for Firm that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Selected Indicators compliance with the requirements of Standards based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement undertaken in accordance with this standard involves assessing compliance of the Report with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both

* TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.



the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we have performed the following activities:

- Interviewing the management and employees of OJSC Severneftegazprom and obtaining documentary evidence;
- Study of information available on website of OJSC Severneftegazprom related to activities in the context of sustainable development;
- Study of public statements of third parties concerning economic, environmental and social aspects of OJSC Severneftegazprom, in order to check validity of the declarations made in the Report;
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in OJSC Severneftegazprom related to the Selected Indicators;
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of the Selected Indicators for compliance with the requirements of Standards.

The procedures were performed only in relation to values of Selected Indicators for the year ended 31 December 2019.

The procedures were performed in relation to values of Selected Indicators that are disclosed in the Report prepared in English.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about compliance of the Selected Indicators, in all material respects, with the requirements of Standards.

LIMITED ASSURANCE CONCLUSION

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Indicators has not complied, in all material aspects, with requirements of Standards.



 FBK, LLC _____ V.Y.Skobarev

 Practitioner

 Partner

 acting under Power of Attorney

 № 76/18 of December 17, 2018

 The Russian Federation, Moscow, April 23, 2020



FEEDBACK FORM

DEAR READERS,

You have reviewed the Annual Report of OJSC Severneftegazprom for 2019. Your opinion is very important for us, and we will be grateful if you could help improve the quality of reporting by answering questions of this form.

1. Did you get an idea about the activities of OJSC Severneftegazprom in the field of sustainable development after reading the Report?

- a. Yes
- b. No
- c. Difficult to answer
- d. Please, leave your comment: _____

2. What is your impression of the information presented in the Report?

- a. Interesting
- b. Not much impression
- c. Difficult to answer

3. How do you evaluate the Report in terms of reliability, objectivity, and completeness of information?

- a. Satisfactory
- b. Unsatisfactory
- c. Neutral
- d. Please, leave your comment: _____

4. How do you rate the Report in terms of the convenience of finding information?

- a. Convenient
- b. Usual
- c. Not convenient
- d. Please, leave your comment: _____

5. What is the most interesting section in your opinion: _____

6. In your opinion what areas of activities of OJSC Severneftegazprom require improvement to increase corporate social responsibility: _____

7. What additional information about the Company's activities in the field of sustainable development would you like to see in the Report: _____

8. Your general comments on the Annual Report of OJSC Severneftegazprom for 2019: _____

9. Are you or your organization interested in discussing the preparation of the Company's sustainability report for 2020:

- a. Yes. Our contacts: _____
- b. No

10. Which organizations, in your opinion, should be invited for discussion of the preparation of a sustainable development report for 2020: _____

11. Which stakeholder group do you belong to:

- a. Company's employee
- b. Investor
- c. Shareholder
- d. Client
- e. Contractor
- f. Representative of an authority body
- g. Representative of a nonprofit organization
- h. Mass media
- i. Resident of the territory where the Company carries out its business
- j. Other: _____

12. Your contact details: _____

13. Preferred means of communication: _____

Send this blank form to:

OJSC Severneftegazprom
Public Relations and Media Service,
P/O Box 1130, Novy Urengoy, 629300,
Yamal-Nenets Autonomous District,
Russian Federation

You can send this form, as well as your opinion and questions on the activities and reporting of the Company to the following e-mail address: sngp@sngp.com

All incoming requests, opinions, and questions will be taken into account when preparing the next Report of the Company.



<https://severneftegazprom.com/>

