



2007

OJSC ROSNEFT
PETROLEUM
COMPANY:
SUSTAINABLE
DEVELOPMENT
REPORT



ROSNEFT



ROSNEFT SUSTAINABILITY REPORT

2007

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

MESSAGE FROM THE CHAIRMAN OF THE BOARD



Today Rosneft is the leader of the Russian oil production industry and a major global integrated structure in the field of oil and gas production, refining, and manufacturing of petroleum products. The assets acquired this year allowed us to double the refining capacity, to expand the scale and geographical scope of our petroleum products retail marketing oper-

MESSAGE FROM THE CHAIRMAN OF THE BOARD

ations, and become a significant manufacturer of petrochemicals and quality car oils.

The Company is not going to rest where it is and intends to further boost its oil production operations. Our plans envision an increase in annual oil production from 100 million tonnes today to 130 million tonnes in 2010, and to 160 million tonnes in 2015, provided that the economic conditions are favourable. The Company's key oil production assets in West Siberia and Timan Pechora have good prospects for future development. In addition, we have a considerable portfolio of exploration projects in new regions, which will make major contribution to the Company's overall hydrocarbon production in the nearest future. This primarily refers to the East Siberian oilfields that will produce oil to be exported via the "East Siberia – Pacific" pipeline currently under construction. Also of strategic importance to the Company are the Far East shelf projects, including Kamchatka ones, where Rosneft cooperates with leading global oil and gas companies.

A growing number of clients in Russia and dozens of other countries depend on our reliability and ability to fulfil our obligations. This predetermines our keen attention to all aspects of the operations that may affect sustainability of the Company's development, and contribute to accomplishment of our long-term plans to become one of the largest and most efficient global energy corporations.

Health, safety and protecting the environment are among the top principles of our operations. During the recent boost of Company's operations and acquisition of numerous new assets, not all aspects were given appropriate attention. Today we are doing our best to make up the leeway: a numbers of initiatives, including programme to improve associated petroleum gas utilisation rate, pipeline reliability improvement programme, and waste management pro-

gramme have been elaborated and are being implemented. Reconstruction of our oil refining facilities and upgrade of tank-farm equipment will make an important contribution to reducing environmental impacts and enhancing safety of our operations. In 2008, the Company's new health, safety and environment management strategy embracing all aspects of our increasingly diversified business will be finalised.

The competent and loyal personnel is a key prerequisite of the Company's sustainability in any situation. This year's priorities include unification of remuneration and benefit package across subsidiary companies, expansion of personnel training programmes, bringing living conditions in rotational camps in compliance with the new corporate standards, improvement and implementation of programmes aimed at improving health of the employees and their families, and investments in the infrastructure and social sphere of the areas where the Company employees and their families live.

Increasing stakeholders' awareness of our activities is an important objective of our efforts on improving the corporate governance system, efforts we make in the interest of our shareholders. This report is a new step along this road. We do hope that the information it contains will help you better understand our objectives and achievements, and we will appreciate any suggestions and ideas you may wish to provide.



Igor SECHIN
CHAIRMAN OF ROSNEFT BOARD
OF DIRECTORS

MESSAGE FROM THE PRESIDENT

MESSAGE FROM THE PRESIDENT



I am very pleased to introduce the OJSC Rosneft Sustainability Report for 2007 prepared according to the Global Reporting Initiative's standards. This will be our second report of such kind. Working on continuous improvement of the corporate governance, we have decided to regularly provide our shareholders and all other stakeholders with information on an extended range of issues concerning the sustainable

MESSAGE FROM THE PRESIDENT

development of the Company. Those primarily include the development of employee relations, corporate social programmes, creating safe and attractive working conditions, investments in the socio-economic development of the Company's regions of operations and assistance to vulnerable social groups, as well as our impact on the global and regional ecosystems.

In 2007, the Company acquired new assets with approximately 60 thousand employees. These include large oil and gas production companies, five oil refineries, marketing businesses, R&D and service companies, and logistic terminals. The integration of these assets into the Company's production and marketing system became the biggest challenge of the year, which, in our view, the Company met quite successfully. The new acquisitions allowed us to considerably improve the balance between production and refining capacities of the Company, more than double the retail refuelling station network, enter new regional markets, begin operations in the prospective bunkering service market. Now we are preparing to roll out a line of branded high-quality car oils.

The new scale of operations calls for increased attention to the safety of operations and their environmental effects. Our expenses in these areas grew by 70% in 2007 to reach RUR 4.6 billion.

While boosting oil production and refining, we were able to cut the overall pollutant emissions almost by 10%, reverse the APG utilisation rate decline trend, and reduce occupational injury rate almost by 25%. In 2007, the Company's integrated Health, Safety and Environment management system successfully passed a surveillance audit by the certifying organisation, and the "Environmental Targeted Programme" is being finalised.

This year we went on with the implementation of priority social programmes aimed at improving the working and living conditions of our employees, as well as corporate mortgage and pension schemes, and we are making our best efforts to gradually involve employees of the newly acquired assets into these schemes. We signed several new agreements with regional authorities concerning the infrastructural and social development of the key regions of the Company's operations, which would create a better environment for the expansion of our operations in those areas.

The last year was very successful for the Company. The first in today's Russia, Rosneft reached the historic 100-million annual oil production milestone to become a leader among Russian companies in this regard. We significantly outgrew our Russian and foreign competitors. We achieved worldwide leadership in terms of the proved oil and gas reserves among the public oil companies; we increased capitalisation and received record-breaking returns. We made an important step towards our strategic goal of becoming one of the largest and most successful global energy corporations.



Sergey BOGDANCHIKOV
PRESIDENT OF ROSNEFT



REPORT PREPARATION APPROACH AND BOUNDARY



- Material Topic Selection and Report Preparation Principles
- Report Boundary

This Sustainability Report (hereinafter, the 2007 Report) of OJSC Rosneft Oil Company (hereinafter, OJSC Rosneft, Rosneft, or the Company) covers the Company's operations in 2007, being the second report prepared by the Company according to the principles of the Global Reporting Initiative (GRI). In preparing this report, the Company relied on the third version of the GRI Sustainability Reporting Guidelines (hereinafter, the G3 Guidelines) including the indicator protocols constituting an integral part of the GRI Reporting Framework. This report is also based on the recommendations of the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting.



SECTION 1: REPORT PREPARATION APPROACH AND BOUNDARY

Key Topic Selection and Execution Principles

This Sustainability Report (hereinafter, the 2007 Report) of OJSC Rosneft Oil Company (hereinafter, OJSC Rosneft, Rosneft, or the Company) covers the Company's operations in 2007, being the second report prepared by the Company according to the principles of the Global Reporting Initiative (GRI). In preparing this report, the Company relied on the third version of the GRI Sustainability Reporting Guidelines (hereinafter, the G3 Guidelines) including the indicator protocols constituting an integral part of the GRI Reporting Framework. This report is also based on the recommendations of the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting.

The first Rosneft Sustainable Development Report (hereinafter, the 2006 Report) covered the year 2006 and was prepared in both Russian and English. The Report is available on the Rosneft website <http://www.Rosneft.ru/Social/> (Russian version) and <http://www.Rosneft.com/Social/> (English version).

The first OJSC Rosneft Sustainable Development Report (hereinafter, the 2006 Report) covered the year 2006 and was publicised in Russian and in English. You can find it on the Company's official web-site <http://www.rosneft.ru/Social/> (Russian version) and <http://www.rosneft.com/Social/> (English version).

The Company subscribes to the sustainability reporting principles set forth in the G3 Guidelines.

Our approach involves continuous expansion of the range of sustainability aspects and performance indicators disclosed as the Compa-

ny's management system progresses. The rapid growth of the Company and integration of newly acquired assets imposed a considerable load on the management system; therefore not all sustainability aspects have been paid sufficient attention so far. Some of them are not yet covered by corporate targeted programmes, and the data management system necessary for calculating the respective performance indicators is still being elaborated. The selection of topics and indicators to be disclosed in this Report takes into account the fact that not all sustainability aspects are equally significant to the contemporary Russian society, as can be proved by the analysis of stakeholder inquiries.

The material aspects for the 2007 Report were selected based on the following criteria:

- the topics of concern identified through employee polls and meetings of the management of the Company's subsidiaries with their staff. The most important of these issues include personnel development and career opportunities, the motivation system, corporate health programme and mortgage scheme;
- the topics raised at the roundtable meetings with the stakeholders, organised in the course of preparing the first Company's Sustainable Development Report. Those topics include the Company's environmental performance, the scale and areas of charitable activities in the regions of operation, and systematic approach to such activities, more integrated approach to cooperation between regional subsidiaries and respective municipal authorities regarding local infrastructure and social sector;

