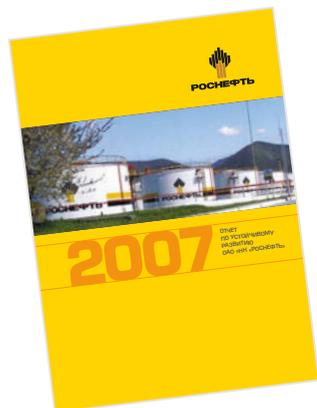


ROSNEFT SUSTAINABILITY REPORT





Rosneft publishes its sustainability reports on an annual basis. This report covers sustainability performance of the Company in 2008. This is the third Rosneft sustainability report. The previous one – the 2007 Sustainability Report – was published in July 2008.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD



Message from the Chairman of Rosneft Board of Directors

Rosneft is the largest oil company in Russia and one of the largest public oil companies in the world. We realize that it is impossible to achieve and maintain a leading position without relying on the sustainable development principles. The fact that the state is the largest Company's shareholder sets even higher standards for our operations and development.

Therefore our strategic priorities include social responsibility or, in other words, alignment of our activities with socio-economic development of our regions of operations. In practical terms, this means that Rosneft supports infrastructure projects in the regions, makes social investments, and participates in charity programs to contribute to sustainable development in every location where the Company operates. This also means that our priorities include ensuring high standards of environmental and operational safety, both in our ongoing operations and in the development of new investment projects. And of course, it is our employees who play the key role in sustainable development of Rosneft, since effective team is crucial to the Company success.

We have been working hard in these areas, and will continue to do so in the future. We realize that the year 2009 will not be an easy one for the Company. However, we intend to carry on our environmental and social projects and programs even under unfavorable macroeconomic conditions. We will inform stakeholders on the achieved results in our next Sustainability Report.



Igor SECHIN,
Chairman of the Board of Directors
Rosneft Oil Company

MESSAGE FROM THE PRESIDENT



Message from the President of Rosneft Oil Company

I am pleased to introduce the third Rosneft Sustainability Report that presents a detailed account of the Company performance in 2008. Our previous sustainability report was acknowledged by stakeholders, and we hope that the new report will also be of interest to all of them. Preparation of this report in the time of economic challenges allowed us to review our activities once again at this critical moment.

The growth engine built by Rosneft in the recent years helped the Company generate strong financial results in 2008. Despite the decrease in oil prices in the second half of the year, the Company was able to achieve record-level performance results. In 2008, Rosneft proved its leadership in the industry with its oil output exceeding 106 million tons, or by 4.9% more than in the previous year.

In 2008, we continued to expand our operations in a number of areas, including development of oil and gas riches of Eastern Siberia, modernization of our refineries, optimization and expansion of our network of filling stations and tank farms, as well as development of the new Company businesses such as bunkering and aircraft fueling services.

Along with the expansion of our operations we worked on improvement of our health, safety, and environment management system. In 2008, the Company spent more than 9 billion rubles on ensuring environmental and occupational safety of its operations. The 18% decrease in the occupational injury rate was one of the achievements.

In 2008, we kept on maintaining the high level of personnel social security by indexing the wages on a regular basis, providing social benefits and expanding the opportunities for professional growth of our employees. In the conditions of the unwinding economic downturn of the second half of the

year, our efforts were aimed at maintaining the funding of key social programs at the previously existing level and we are convinced that we were successful in achievement of this objective.

We have been actively cooperating with local communities and we intend to use the national and local suppliers wherever possible, thus contributing to social and economic development of the Company regions of presence. We continue the good practice of stakeholder roundtable meetings in the key regions of the Company presence and we view them as becoming a basis for the mutually beneficial dialogue and addressing the challenges we face.

The adoption of the Code of Business Ethics, a collection of Rosneft corporate and professional standards, was an important past year's event for our employees. The Code not only sets forth our principles of responsible business conduct, but also plays a significant consolidating role in all regions where the Company operates.

The Company is still to overcome many challenges on the way to its strategic objective, that is to become one of the world's three largest energy companies. Nevertheless, it is our team that has always been and will remain our key strategic resource, the one who gives us confidence in all our outlooks.



Sergey BOGDANCHIKOV,
President
of Rosneft Oil Company





SECTION 1

ABOUT THIS REPORT

■ Reporting Principles

■ Report Boundary

The target audience of this Sustainability Report includes stakeholder groups listed in Stakeholder Engagement section.



SECTION 1. ABOUT THIS REPORT

Rosneft publishes its sustainability reports on an annual basis. This report covers sustainability performance of the Company in 2008. This is the third Rosneft sustainability report. The previous one – the 2007 Sustainability Report – was published in July 2008.

The target audience of this Sustainability Report includes stakeholder groups listed in Stakeholder Engagement section. In this year, in addition to independent assurance conducted by Ernst & Young, a

public verification of this Sustainability Report was conducted. The respective reports are available in Independent Assurance Report and Public Verification Report sections.

The Company is interested in receiving stakeholder feedback regarding this report. By using an online feedback form available in Sustainable Development section of the corporate website (www.rosneft.com), any reader can provide his or her comments and suggestions to the Company.



Rosneft received two sustainability reporting awards

Rosneft Sustainability Report 2007 received the national Award for the Best Social/Sustainability Report. The awards administered under the patronage of the RF Federation Council Committee for Business and Ownership are granted to the companies presenting the most complete and relevant social or sustainability reports. The Russian awards were established in 2006 under the auspices of the European Sustainability Reporting Awards (ESRA) and are an integral part of the latter. National winners then participate in the European awards, and in 2009 Russia will be represented by Rosneft. This is the first time when the Russian Federation will be represented by a company with major state interests.



Rosneft Sustainability Report 2007 also became a winner in the category Best Corporate Social Responsibility and Sustainability Report of the 11th Annual Report Contest held by RTS Stock Exchange.



Reporting Principles

Rosneft sustainability reporting process is based on the Sustainability Reporting Guidelines by the Global Reporting Initiative (hereinafter – the GRI Guidelines). In preparing its reports, the Company also considers the basic performance indicators for non-financial reporting developed by the RUIE (Russian Union of Industrialists and Entre-

preneurs), and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA/API (2005).

The Company prepared this report in accordance with A+ GRI Application Level.

USE OF GRI SUSTAINABILITY REPORTING PRINCIPLES IN PREPARING THIS SUSTAINABILITY REPORT

Defining Report Content

Materiality Rosneft seeks to cover all material topics relevant to its sustainability performance in its reports. In order to identify these topics, the Company conducts a materiality analysis, based on the review of: media publications criticizing the Company; issues covered by corporate reports of other oil and gas companies; topics discussed in Company own internal documents; and issues raised at the roundtable meetings held in the Company regions of operations. Based on the analysis results, a list of material topics to be covered in the upcoming Sustainability Report is prepared. In preparing this report, all material topics were considered taking into account the influence of the current unstable situation in the global and national economies.

Stakeholder inclusiveness The Company conducted a stakeholder analysis and identified the key stakeholder groups relevant to its activities. In order to identify stakeholder views and take them into account, the Company organizes roundtable meetings and other events (for more details see Stakeholder Engagement section).

Sustainability context The Company seeks to present its contribution to sustainable development both at the national level and at the level of regions of operations, taking into account their specific circumstances.

Completeness This report covers all major Company subsidiaries and all significant sustainability issues (economic, environmental, and social) associated with their activities. The Company seeks either to cover relevant issues as completely as possible in the report itself, or to provide a reference to the source of more detailed information.

Ensuring Report Quality

Balance The Company seeks to present its sustainability performance in a reasonably balanced manner. This Report presents both Company achievements and problematic issues that need to be addressed.



SECTION 1. ABOUT THIS REPORT

Comparability	In presenting information in this Report, the Company follows the guidance found in the GRI Guidelines and GRI Technical Protocols. Therefore the information about Company sustainability performance can be presented in a form allowing comparison with performance of other organizations. Wherever possible, the data are presented for the reporting year and the two previous years. A number of indicators for previous years were adjusted to reflect changes in the report boundaries; adjusted figures are marked with «✓» symbol.
Accuracy	In preparing this report, the Company relied on audited US GAAP financial accounts. The information on non-financial performance indicators is based either on estimates or on the Company data management procedures, techniques, and calculations.
Timeliness	Preparation of Rosneft sustainability reports is based on a systematic scheduled process. Each Sustainability Report is published in the third quarter of the year following the reporting year.
Clarity	The Company seeks to make this Report accessible and comprehensible to a broad range of stakeholders. To make it easier to understand the report, an annex containing a list of abbreviations was added to it.
Reliability	In preparing this report, the Company relied on financial information verified by an independent assurance provider. A number of statements and data on the Company sustainability performance, presented in this report, were also independently assured.

Report Boundary

Rosneft prepares its sustainability reports at the corporate level. The 2008 Report covers all major operating subsidiaries of the Company.

The year 2007 saw significant changes in the Company structure and acquisition of a number of new assets (see the 2007 Sustainability Report for more details). As a result, the list of Company subsidiaries covered by the 2008 Sustainability Report changed considerably compared to the previous year. This makes it difficult to compare Company performance to the previous period using gross (absolute) indicators. Therefore this report makes significant use of specific indicators (e.g. per ton of oil produced).

In 2008, the Company worked to define reporting boundaries for various groups of sustainability per-

formance indicators. The Company plans to use a unified reporting boundary since 2009.

Financial and economic performance indicators correspond to the Rosneft consolidated US GAAP financial accounts available on the Company official website.

Unless stated otherwise, gross and specific indicators presented in this Report are based on the following reporting boundaries:

- indicators regarding personnel, social payments and benefits: the Company centralized business planning boundary, which in 2008 included Rosneft and more than a hundred of its subsidiaries, representing all sectors of the Company business;



SECTION 1. ABOUT THIS REPORT



- indicators regarding Company assistance to the regions of operations and local communities: all regions where the Company or its subsidiaries have significant operations.
- indicators regarding health, safety and the environment: the Company centralized business

planning boundary except for a number of subsidiaries which will be covered since 2009.

There were no significant changes in the reporting scope (the range of sustainability topics discussed) or measurement methods compared to the previous reports.



SECTION 2

INTRODUCTION

■ Macroeconomic Environment

■ Competitive Standing of the Company

In 2008, Rosneft was awarded the sixth position in the Platts Top 250 Global Energy Company Rankings – a list of the 250 world best performing energy companies produced by Platts, the leading global provider of energy information. In the 2007 rankings, the Company was ranked 16th.

Macroeconomic environment

Social and Economic Situation in the Russian Federation in 2008*

The deterioration in global financial markets in the second half of 2008 года, general economic downturn and falling oil prices all had a negative impact on the year results. The GDP growth in 2008 was 5.6% compared to 8.1% in 2007.

Oil prices. Until mid-2008, crude oil prices in global markets were steadily rising. The average price of Urals crude oil in January – September 2008 was USD 108 per bbl; in the fourth quarter the price fell considerably with the quarter average being USD 54.1 per bbl.

Foreign trade turnover increased by 32.1% compared to the previous year, reaching USD 763.5 billion.

Exports. The share of energy products in the total export earnings increased from 63.8% in 2007 to 68.4% in 2008, with oil exports accounting for 34.4% of the total earnings.

Changes in foreign trade and net capital outflow from Russia resulted in **declining national currency**. In 2008 (December 2008 compared to December 2007) the RUB/USD exchange rate declined by 19.7%, while the RUB/EURO exchange rate declined by 15.3%.

Underlying inflation rate in 2008 was 13.6% (compared to 11.0% in 2007). The **Industrial Product Price Index** declined by 7.0% (in 2007 it increased by 25.1%).

Industrial output grew by 2.1% in 2008 (in 2007 – by 6.3%). Extraction of all subsurface resources increased by 0.2% (in 2007 – by 1.9%), while extraction of fossil fuels declined by 0.2%.

The **income of the federal budget** amounted to RUB 9274.1 billion, or 22.3% of the GDP (compared to RUB 7781.1 billion, or 23.5% of the GDP in 2007).

The contribution of the national oil and gas sector to the federal budget in 2008 amounted to RUB 4389.4 billion, or 47.3% of the total income of the federal budget.

State of the Russian oil and gas sector in 2008

Oil production. In 2008, oil production declined by 0.6% compared to the previous year and amounted to 488.5 mmt. The overall drilling footage increased by 5.7% compared to 2007.

In 2008, the share of producing wells in the operating well stock was 84%, while the share of inactive wells was 16%. 5 593 new oil wells were brought into operation in 2008 – 7.5% more than in 2007.

Oil refining. In 2008, Russian refineries processed 235.7 mmt of oil or by 3.5% more than in 2007. Output of motor gasoline increased by 1.5%, diesel fuel – by 3.9%, fuel oil – by 1.9%, jet fuel – by 4.5%. The share of high-octane gasoline in the total motor gasoline output in 2008 was 77.5% (compared to 74.3% in 2007).

* This section is based on the data of the federal state institution «Central Dispatching Office of the Fuel and Energy Complex» of the RF Ministry of Energy, the Federal State Statistics Service, and the Federal Customs Service. Bulletins of the Bank of Russia for 2009 were also used in preparing the section.



Oil exports. In 2008, Russian oil export decreased by 6% compared to the previous year, reaching 243.1 mmt. The share of exported oil in the total national oil production was 48.7% in

2008 compared to 51.5% in 2007. At the same time the monetary value of exports increased 1.3 times as a result of increased contractual prices.

Competitive Standing of the Company

Rosneft is the leader of the Russian oil sector and one of the world largest public oil and gas companies.

In 2008, Rosneft was awarded the sixth position in the Platts Top 250 Global Energy Company Rankings – a list of the 250 world best performing energy companies produced by Platts, the leading global provider of energy information. In the 2007 rankings, the Company was ranked 16th.

On November 10, 2008, Fitch Ratings agency affirmed the foreign currency long-term issuer default rating of Rosneft, at the same time changing the rating outlook from Positive to Stable.

Standard & Poor international rating agency raised the Company foreign currency long-term credit rating to «BBB-», an investment-grade level, with Stable outlook.

According to Moody Investor Services Limited, Rosneft rating as of December 31, 2008, was «Baa1», with Stable outlook.

In 2008, Expert business magazine placed Rosneft on the fourth place in its annual ranking of the largest Russian companies Expert-400 (in 2007 the Company was ranked sixth) (Expert No.39, October 6, 2008). The Company was also placed on the second place in the 2008 ranking of Russian companies in terms of market val-

ue (capitalization), also produced by Expert (Expert No.39, October 6, 2008).

The Company was ranked 64th by Forbes magazine in its Global 2000 list – an annual ranking of the top 2000 public companies in the world (published on April 8, 2009).

In the ranking of the world 500 largest companies in 2008 produced by Dengi magazine, the Company was ranked 70th (Dengi No.18, May 11, 2009). Market capitalization was the main criteria in preparing the ranking.

Rosneft was placed on the second position in a ranking of 155 Russian companies in terms of market capitalization published by Finance magazine (Finance, October 13, 2008).

RBC Rating agency ranked Rosneft second among largest oil companies in terms of the number of new wells brought into operation (ranking published on March 31, 2009).

Company efforts aimed at improving disclosure and transparency are also appreciated by the expert community. In its survey Transparency and Disclosure by Russian Companies 2008, Standard & Poor ranked Rosneft second. The survey was focused on disclosure practices of the largest Russian companies with regard to ownership structure and corporate governance.

SECTION 3

ABOUT THE COMPANY





■ Company Profile

■ Mission and Strategy

■ Values

■ Key Operational and Financial
Performance Indicators

■ Sustainability and Social Responsibility

■ Stakeholder Engagement

The main sectors of Rosneft activities include exploration and production of oil and gas, manufacturing of petroleum products and petrochemicals, and marketing of outputs. The largest shareholder of Rosneft is the Russian state, which owns slightly more than 75% of the stock.

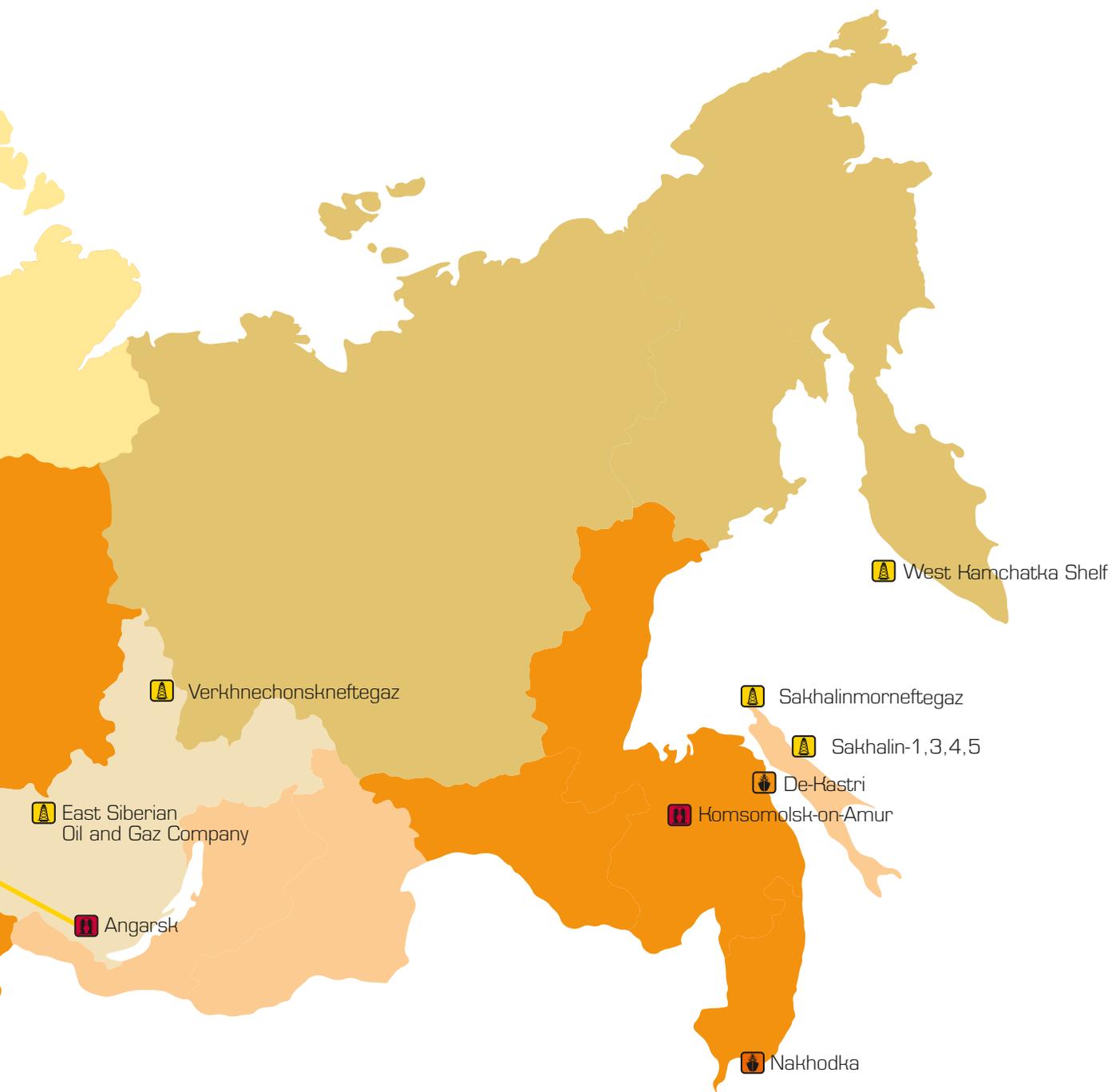


Rosneft Main Assets and Regions of Operations





SECTION 3. ABOUT THE COMPANY





Company Profile

The main sectors of Rosneft activities include exploration and production of oil and gas, manufacturing of petroleum products and petrochemicals, and marketing of outputs. The largest shareholder of Rosneft is the Russian state, which owns slightly more than 75% of the stock.

Rosneft carries out exploration and production operations in Western Siberia, Southern and Central European Russia, Timan-Pechora, Eastern Siberia and the Far East. The Company also implements projects in Kazakhstan and Algeria. Rosneft seven major refineries are located throughout the country, from the Black Sea coast to the Far East, while the Company retail network covers 38 regions of the Russian Federation. The Company headquarters are located in Moscow.

As of December 31, 2008, Rosneft had 577 subsidiaries and dependent companies. The structure of Rosneft is presented in the 2008 Annual Report (pp. 20-21) and on the Company website.

In 2008, a number of new Rosneft subsidiaries were created, including OOO RN-Stroy, OOO RN-Bunker, OOO RN-Zdorovye, OOO RN-Uchet, OOO RN-Aero, and OOO RN-Pozharnaya Bezopasnost. The new companies were created in order to diversify Rosneft business, optimize logistics, and provide specialized services to the Company and its employees in a more effective manner.

Today Rosneft is the leader of the Russian oil industry in terms of key operational performance indicators, including reserves, oil production, output growth rate and refining throughput.

Reserves

According to an audit by DeGolyer & MacNaughton, Rosneft proved reserves by PRMS classification as of December 31, 2008 totaled 2 421 mmt

of oil and 784 bscm of gas. In 2008, the Company proved hydrocarbon reserves increased by 2.8%, reaching 3 052 mmt of oil equivalent.

The increase in oil and gas reserves considerably exceeded the extraction of these resources – the proved hydrocarbon reserve replacement ratio in 2008 was 172%, while the respective ratio for oil reserves was 123%.

Geological exploration

In 2008, large amounts of prospecting and exploration drilling and of seismic surveying were carried out within the framework of Rosneft projects in accordance with the respective license terms. The Company carried out a total of 63 500 meters of exploration drilling, 7 714 linear km of 2D seismic surveys, and 4 549 square km of 3D seismic surveys. The decline in the amount of exploratory drilling compared to 2007 was a result of the completion of the exploration stage at the Vankor field, and of suspension of drilling works in the Southern Federal District so that detailed 3D seismic survey can be carried out to study the region complex geology. The construction of 34 prospecting and exploration wells was completed. Prospecting and exploration drilling by the Company led to the discovery of 10 fields and 4 new deposits at previously discovered fields.

Oil and gas production

In 2008, the Company produced 106 mmt of oil and gas condensate, or by 4.9% more compared to the previous year.

Refining, petrochemicals, and marketing

In 2008, the throughput of the Company refining operations (including mini refineries) was 49.3 mmt, or 22.6% more than in 2007. The total output of petroleum products and petrochemicals in-



SECTION 3. ABOUT THE COMPANY

creased to 46.4 mmt. Rosneft sells the produced oil in Russia, CIS countries, and on the international market; it also supplies its own refineries. In 2008, the Company exported 54.16 mmt of

oil and as condensate (including oil procured from third parties) and 25.94 mmt of petroleum products (including products procured from third parties and bunkering operations).



Research and innovation

Rosneft pays particular attention to the development and introduction of new technologies, dissemination of knowledge and best practices, and technology training of employees.

A key role in innovative technological development of the Company is played by the Rosneft Corporate Scientific Research Complex (CSRC), which consists of a Corporate Research and Development Center and 10 regional research and design institutes, of which seven specialize in the upstream sector, and three in the downstream sector. CSRC provides research and methodological support throughout the Company production chain.

In 2008, the regional institutes carried out 20% of all design and survey works, and prepared 66% of the Company project technology documents. In 2008, Rosneft submitted a total of 153 project technology documents to the Central Commission for Sub-Surface Resource Development, with 126 project documents being approved by state authorities.

(Continued on pg. 26)



Innovation management within the Company is based on a number of systems, including:

- New Technology System;
- System for Cooperation with Universities and R&D Centers;
- Technology Training System;
- Knowledge Management System;
- Quality Management System.

Research and development in the field of exploration is focused on the technologies that allow to reduce geological risks and enable greater accuracy in detecting promising structures. In 2008, proposals for licensing of 34 blocks on the shelves of the Black Sea, the Sea of Chukotka and the Eastern Siberian Sea were prepared. Rosneft also carried out an assessment and ranking of 12 areas of Eastern Siberia in terms of attractiveness of their license areas.

In 2008, the Corporate Research & Development Center carried out 14 projects involving application of new technologies at the oilfield development stage. 44 innovative techniques were tested and implemented at 696 wells.

In the reporting period the Company continued installation of the Total Production Management System (TPMSYS™), enabling Company specialists to optimize operation of any well using geophysical data and complete information about the well design, current operating parameters, and equipment used. The RN-Production computer system based on the TPM-SYS™ has been installed at 900 workstations at Company subsidiaries.

New technologies for the production of improved road bitumen at Syzran Refinery, developed by the Company in 2008, allowed to halve pollutant emissions and reduce the share of black diesel from 5–7% to 0.1–0.05%. Technologies were also developed for production of viscous bitumen-polymer compositions, which can be used in road construction. These technologies are expected to generate additional RUB 440 million per year for Company refineries. (See the 2008 Annual Report and the corporate website for more details on the innovation and research activities of the Company.)

Mission and strategy

Rosneft activities are aimed at meeting society demand for energy resources in an innovative, environmentally safe and cost effective manner. Due to its unique resource base, high technological level and professional team committed to its work, the Company achieves sustainable growth of its business and increase in shareholder income. We believe that our activities contribute to social stability, prosperity and progress of our regions of operations.

Rosneft seeks to strengthen its standing among the world leading energy companies and achieve leading positions in terms of operational and financial performance, as well as shareholders value.

The Company believes that the key conditions for achieving these goals include:

- continuous improvement of performance in all areas of activities;
- innovative approach to development;
- improvement of information transparency and openness;
- compliance with high standards of corporate governance;
- high level of social responsibility;
- strict compliance with Russian and international standards of environmental and industrial safety.



Rosneft has set an objective to increase its annual oil production from 106 mmt in 2008 to 180 mmt by 2030 given favorable macroeconomic conditions, and increase gas production from 12.4 bscm in 2008 to 55 bscm by 2020.



Values

The key values of Rosneft include:

- professionalism and improvement;
- performance and integrity;
- proactiveness and responsibility;
- trust and respect.

The Company implements these values based on the following principles:

- **Ensuring profitability and efficiency.** The Company views ensuring profitability and efficiency of operations as its obligation to the shareholders and all stakeholders, and uses all available legitimate means to fulfill this obligation;
- **Compliance with the legislation and standards.** The Company strives to strictly comply with the requirements of the Russian and in-

ternational legislation, as well as sectoral and corporate rules, standards, and procedures.

- **Social responsibility.** The Company contributes to the development of its regions of operations, cares about protecting the environment, and professionally manages occupational health and safety.
- **Good business conduct.** The Company strives to achieve and maintain high quality of its products and services, fulfill its contractual obligations in a fair and consistent manner, and maintain its corporate governance on the basis of openness and responsibility.

Key operational and financial performance indicators

OPERATIONS AND FINANCE

Operations and finance	2006	2007	2008
Oil and gas condensate production, mmt	80 [✓]	101	106
Gas production, bscm	13,6 [✓]	15,7 [✓]	12,4
Refining throughput, mmt	24,0	40,2	49,3
Output of petroleum products and petrochemicals, mmt	22,7	38,4 [✓]	46,4
Sales proceeds and other operating income, USD million	33 099	49 216	68 991
Operating profit, USD million	5 604	10 721	13 005
Net profit, USD million	3 533	12 862	11 120
Total assets at the end of year, USD million	46 790	74 805	77 513
Long-term accounts and liabilities payable at the end of year, USD million	7 402	11 723	10 081

GENERATED AND DISTRIBUTED ECONOMIC VALUE, USD MILLION

	2008
Direct economic value generated	
a) Revenue	69 312
Economic value distributed	
b) Operating costs	12 536
c) Employee wages and benefits	2 651
d) Payments to providers of capital	1 762
e) Payments to government	40 210
f) Community investments	139
Economic value retained	12 014

Sustainability and social responsibility

Rosneft views sustainable development as a system of consistent economic, environmental and social actions implemented on the basis of ongoing stakeholder engagement and aimed at long-term improvement of Company image and business reputation, as well as increase in its competitiveness and market capitalization.

The Company bases its sustainability activities on the following principles:

- **Compliance with legal requirements and other Company obligations.** Rosneft carries out its operations in accordance with the requirements of the Russian legislation, contracts, and voluntary commitments adopted by the Company. Rosneft strives to follow the principles of the Social Charter of Russian Business and comply with international best practices in the field of sustainability.
- **Consideration of stakeholders interests and expectations.** The Company works to identify stakeholders interests and expectations, and to maintain a balance of interests in its stakeholder relations.
- **Observance of human rights.** The Company recognizes inviolability of human rights, including labor rights and the right to favorable environment. It strives to avoid any forms of discrimination or violation of human rights.
- **Integration of sustainability principles into day-to-day activities of the Company.** Rosneft works to incorporate sustainability principles into its day-to-day operations by planning the respective activities systematically and integrating them into corporate business plans.
- **Introduction of sustainability principles in all newly acquired assets.** The Company works in a planned and systematic manner to implement its sustainability principles, approaches and standards in all newly acquired entities.
- **Consideration of regional specifics.** In its sustainability activities, the Company takes



into account socio-economic, environmental and cultural circumstances of its regions of operations. The scale of such activities is determined in each particular case based on the significance of the respective subsidiary company to the overall Rosneft business and severity of social, environmental, and economic issues of the respective region.

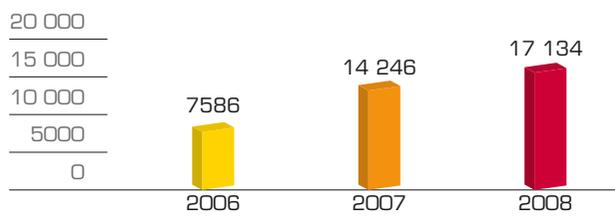
- **Information transparency.** The Company works to improve stakeholders awareness of all aspects of its operations. In addition to annual reports, the Company for the third year in a row publishes a Sustainability Report and organizes roundtable meetings with stakeholders in its regions of operations.

These principles have been reflected in the draft Company Sustainable Development Policy developed in 2008.

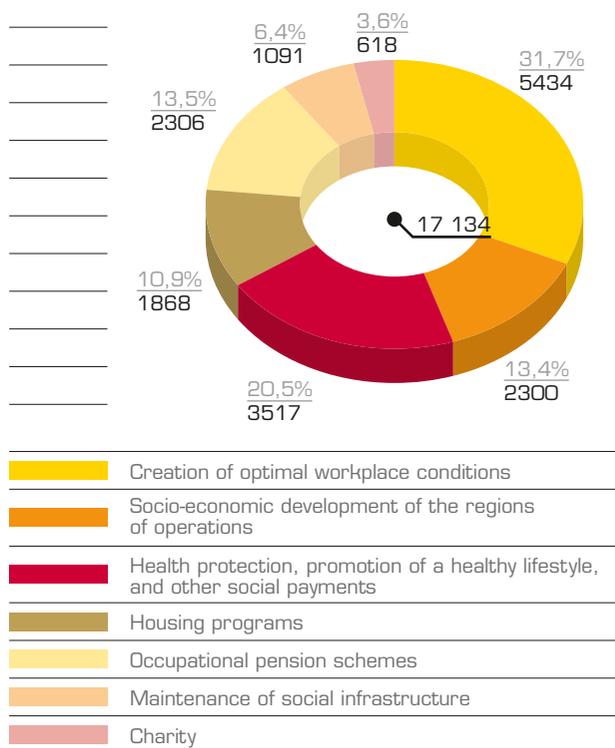
In 2008, Rosneft further developed its sustainability activities in the following areas:

- **Health, safety, and the environment:** implementing environmental and resource saving programs aimed at the reduction of adverse environmental impacts; creating and maintaining occupational safety conditions going beyond legal requirements; and preventing accidents.
- **Development of the regions of operations:** supporting social infrastructure and indigenous minority peoples of the North; implementing charity projects.
- **Personnel development:** creating conditions for effective work; developing employee motivation programs; investing in personnel development and training.

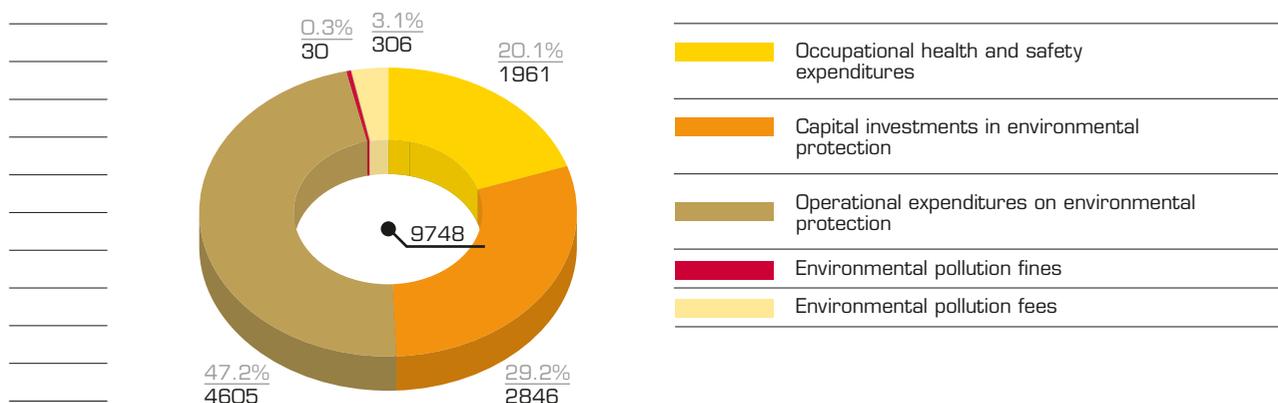
EXPENDITURES ON SOCIAL PROGRAMS, RUB MILLION



EXPENDITURES BROKEN DOWN BY MAJOR AREAS OF SOCIAL POLICY, RUB MILLION



ROSNEFT SPENDING ON HEALTH, SAFETY, AND THE ENVIRONMENT, RUB MILLION



Stakeholder engagement

The Company works to create an effective stakeholder engagement system based on the following key principles:

- respect for stakeholders interests and mutually beneficial collaboration with them;
- keeping stakeholders informed of all aspects of Company activities on a timely basis;
- regularity and consistency of engagement;
- identification of stakeholders expectations;
- meeting commitments made to stakeholders;
- stakeholder engagement activities in all key Company regions of operations.

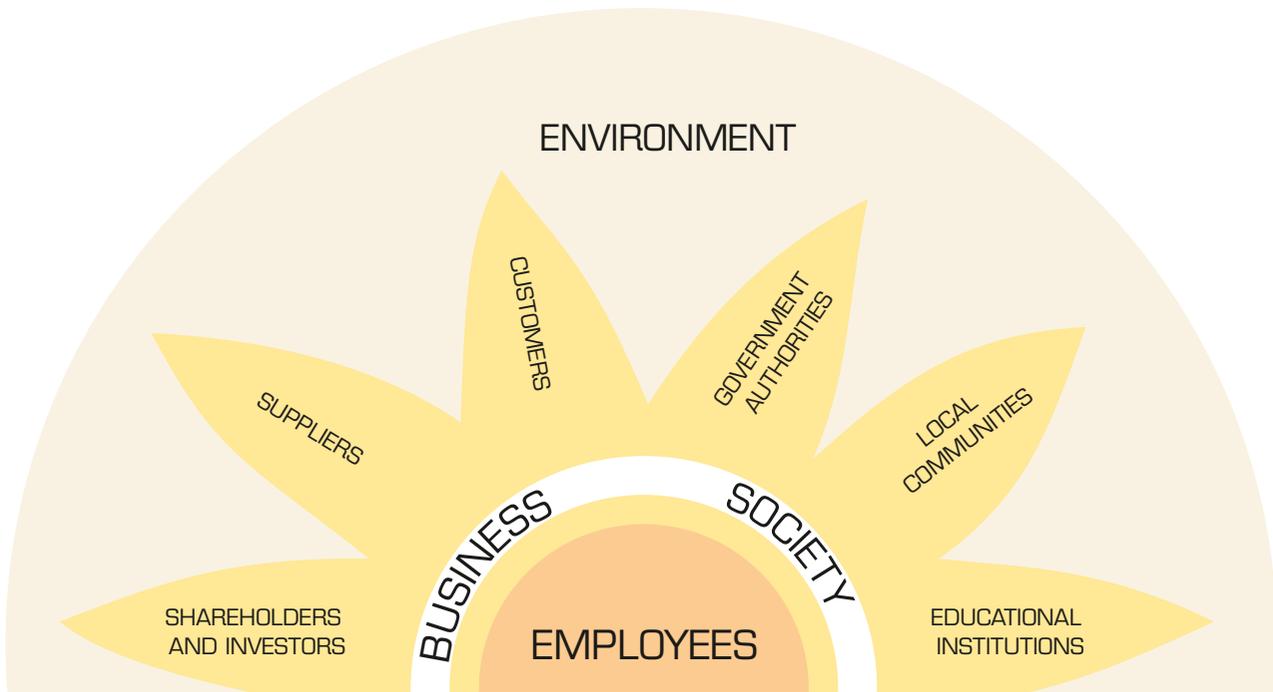
Based on the Company experience of stakeholder engagement and on the significance of their

impact on the current operations and strategic development of Rosneft, the following key stakeholder groups have been identified.

Employees

The Company views employees as a key stakeholder group and takes efforts to ensure their well-being, as well as personal and professional growth. Rosneft seeks to ensure safe and comfortable working conditions, decent remuneration level and social benefits for its employees. The Company pays particular attention to the issues of occupational health and safety, regarding human life as the highest value.

More details on the Company HR policy and performance are provided in Personnel section of this report.



Key Rosneft stakeholders

Business Community

Shareholders and Investors

The Company activities in the field of stakeholder and investor relations are aimed primarily at increasing transparency and openness, and ensuring fair valuation of the Company by the market.

The system of principles and mechanisms aimed at protecting rights and legitimate interests of the Company's shareholders is set forth by the Corporate Governance Code (see Investors section of the corporate website).

Suppliers

The Company seeks to build long-term supplier relations on a mutually beneficial basis.

In order to increase the share of Russian companies among its suppliers and contractors, the Company makes efforts to inform potential tender participants among domestic businesses to the maxi-

imum extent possible. With other conditions being equal, the preference is given to Russian contractors and goods.

Goods and service providers are selected on a competitive basis in accordance with the special corporate standard – Organization of Tendering Activities for Procuring Goods, Works and Services in Rosneft. Information on tenders is made available through Tenders and Execution section of the corporate website. Decisions are made by a special commission – Central Tender Committee – which is responsible for ensuring optimal procurement terms.

Customers

- The Company respects and values its customers, believing that only the highest possible quality of goods and services can provide a basis for continuous development of its business under conditions of severe competition. Customer relations activities are aimed at the

improvement of quality of products and services; introduction of new payment methods and new services; increase in safety of petroleum products; development of the retail network and strengthening of customer loyalty.

In its sales of petroleum products, the Company implements a uniform pricing policy and takes into account prices set by its main competitors in the respective regions.

Loyalty Programs

The Company strives to differentiate its business approaches according to needs and demands of various customer groups.

Offerings by RN-Card (a Rosneft subsidiary, an operator of smart card-based non-cash payment system serving sales of petroleum products and associated goods and services) are organized into four programs tailored for customers with different logistic patterns and fuel consumption levels. The **Local** program is aimed at legal entities consuming fuel mainly within a single region, while the **Transit** program is best suited for clients consuming less than 50% of fuel within their own region and involved mainly in cargo transportation. The third program, **Active Discount**, seeks to improve loyalty of individual customers by offering variable discounts depending on the overall number of bonus points acquired when paying for fuel and associated goods at Company filling stations, and by organizing marketing actions and sales promotions. The **Nominal** program involves sales of petroleum products to individuals and small businesses using prepaid smart cards providing customers with access to a flexible discount package.

Successful interaction with **individuals** helps create a pool of loyal customers, improve Company image and brand recognition thus ultimately contributing to an increase in retail sales of petroleum products.





Society

Government Authorities and Federal Organizations

Rosneft recognises its special responsibility associated with indirect participation of the Russian state in its share capital, and aspires to be a model of compliance with legal requirements and ethical commitments. In order to ensure legal compliance, the Company monitors changes in the existing legislation on a continuous basis.

Representation of state interests regarding the Company, as well as Company interests regarding the government authorities is achieved through the governmental representatives in the Board of Directors. In addition, Rosneft has participated in discussion and assessment of draft regulatory proposals prepared by Russian executive authorities with regard to the oil industry.

Regional Authorities and Local Communities

Rosneft cares about socio-economic development of its regions of operations and the country as a whole, realizing that their successful development is a key factor of long-term development of the Company itself. In its regions of operations, the Company engages both authorities and local com-

munities (including the population, non-governmental organizations and associations, indigenous minority peoples of the North, external labor union organization and mass media).

More details on the Company policy and performance with regard to engagement of this stakeholder group are provided in Society section.

Educational Institutions

Company activities in this area provide a basis for training potential employees and include:

- organization of a system of pre-university training of young professionals;
- collaboration with specialized universities on the basis of long-term cooperation agreements;
- training and internships for university students in the Corporate Research and Development Center, subsidiary companies and other divisions of the Company;
- organization of joint research programs, including international ones.

For more details on Rosneft cooperation with educational institutions see Personnel Development and Training section.

Rosneft participates in:

- Russian National Committee for World Petroleum Congresses – since 1998;
- Board of Trustees of I.M. Gubkin Russian State University of Oil and Gas – a founding member since 1991;
- Russian Chamber of Commerce and Industry – since 2003;
- Canada-Russia Business Council – a founding member since 2005;
- All-Russian Association of Summer Olympic Sports.



Stakeholder Dialogue

For three years in a row, preparation of Rosneft sustainable development reports has involved roundtable meeting with stakeholders in its regions of operations. At the meetings, top managers of Rosneft subsidiaries and representatives of its headquarters together with stakeholder representatives discuss outcomes and prospects of Company regional operations. The dialogue is aimed at the identification of problematic issues and elaboration of mutually acceptable decisions.

In 2007 and 2008, 8 and 18 roundtable meetings respectively were held. In the first half of 2009, stakeholder dialogues were organized in 9 Company regions of operations.

In 2007, when roundtable meetings were held for the first time, stakeholders not always correctly understood meeting objectives and their own role, often taking one of the two diametrically opposite positions (voicing either unrestrained criticism or complete approval of the Company). But in just a year their attitudes became more balanced. However, stakeholders continued to view these events as a kind of a live annual report. The third round of meetings completed in April 2009 marked a real breakthrough with many participants emphasizing the turn to a mutually beneficial dialogue.

The 2009 series of roundtable meetings also saw a significant change in attitudes of the Company subsidiaries. In their presentations, subsidiaries top managers not only presented lists of issues identified, but also proposed detailed plans to address these issues. For example, Vladimir Bulba, Director General of RN-Yuganskneftegas, noted that «in preparing the 2009 business plan, the company management studied materials of previous roundtable meetings and elaborated measures to address the issues identified during

(Continued on pg. 36)



the meetings». In particular, based on the results of the 2007 roundtable meeting, RN-Yuganskneftegas designed a landfill for disposal of oil-polluted soil and drilling waste in Surgut District. At the same time, as Mr. Bulba noted, the company encountered difficulties in getting necessary permits for land acquisition for the project. As a result, representatives of district authorities present at the meeting expressed their willingness to assist the company in getting the permits.

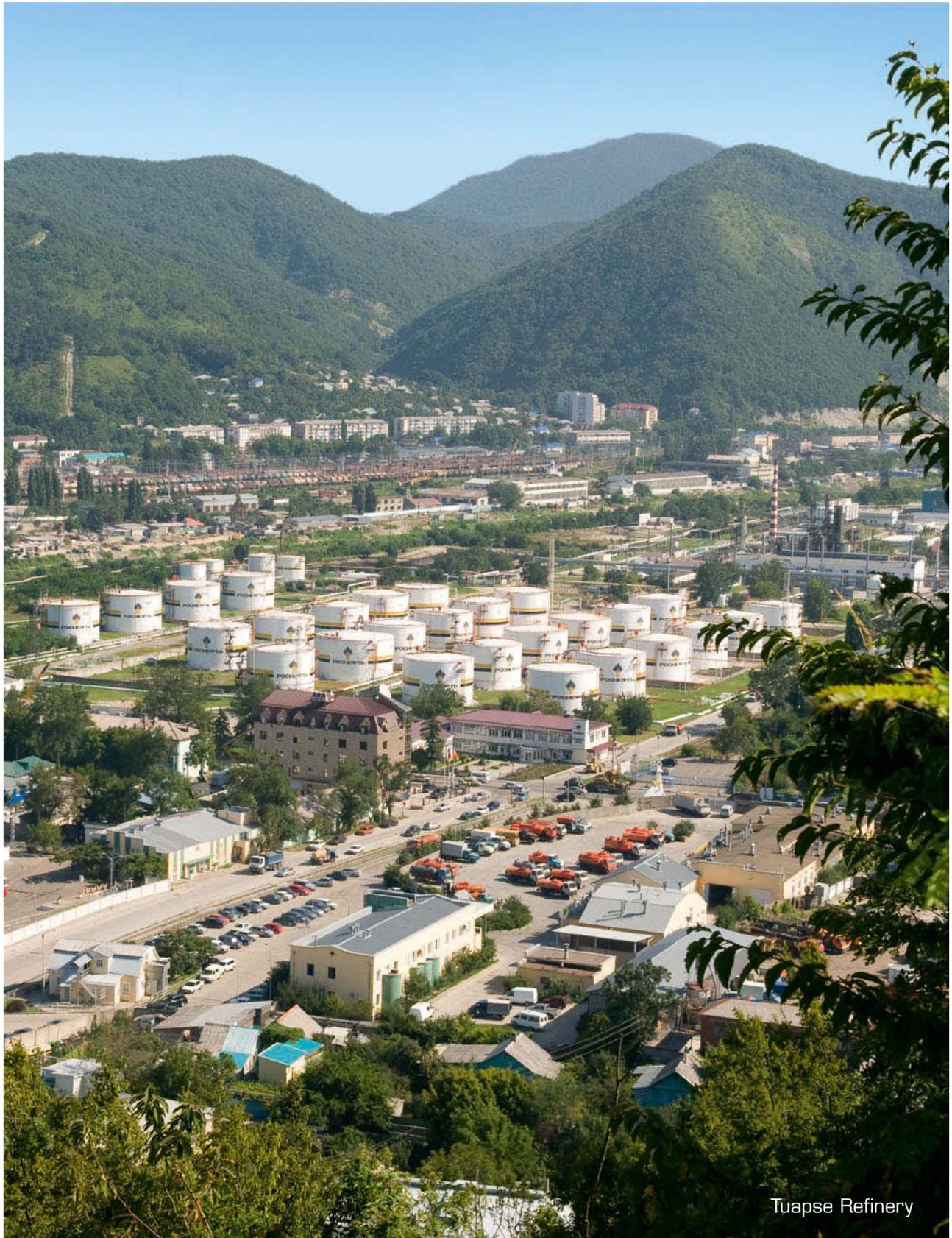
It is planned to make detailed reports on the roundtable meetings held in 2009 available online in Sustainable Development section of the Rosneft website (www.rosneft.ru).

Recognition of Rosneft achievements in the field of sustainable development in 2008:

- Rosneft was ranked first in the category Company with the Best Investor Relations System by the Investor Protection Association;
- The Company was ranked first in the categories Best Annual Report and Corporate Literature, and Best Investor Relations among Large-Cap Companies by IR Magazine, a professional periodical;
- The Company received Best 2007 Annual Report and Best 2007 Sustainability Report awards at the 11th Annual Report Contest held by RTS Stock Exchange;
- The Company was recognized the best in the category Best Information Disclosure in English-Language Annual Report at the Contest of Corporate Reports and Websites organized by the Securities Market magazine, the Russian Ministry of Economic Development, and MICEX Stock Exchange;
- Rosneft was granted national award For Best Social/Sustainability Report and will represent Russia at the European Sustainability Reporting Awards (ESRA);
- Rosneft was ranked second according to the study Transparency and Disclosure by Russian Companies 2008 by Standard & Poor international rating agency;
- Kuibyshev Refinery was awarded a honorary title – Leader of Environmental Activities in Russia 2008;
- Udmurtneft was declared a winner of the Best Organization of OHS Activities in Udmurtia Contest in the group of industrial and transport enterprises;
- Tuapse Refinery became a winner of the Best Organization of OHS Activities in Krasnoyarsk Region Contest in the group of industrial plants.



SECTION 3. ABOUT THE COMPANY



Tuapse Refinery



SECTION 4

CORPORATE GOVERNANCE AND CULTURE

■ Corporate Governance

■ Corporate culture

Rosneft governance and management systems are aimed at the implementation of the overall Company strategy in all areas of its business and development of own activities of each Rosneft subsidiary.



Corporate Governance

Corporate Governance Structure

The structure of corporate governance and management of Rosneft has been built in such a way as to conform to the modern principles of managing a large joint-stock company, and to comply with the requirements of the Civil Code of the Russian Federation, Federal Law on Joint Stock Companies, internal policies of the Company, and international best practices. Rosneft governance and management systems are aimed at the implementation of the overall Company strategy in all areas of its business and development of own activities of each Rosneft subsidiary.

The strategic level of corporate governance is represented by the General Shareholders Meeting – the Company supreme governing body. Its powers include, in particular, addressing the issues of reorganization and liquidation of the Company, making amendments and additions to the Charter of the Company, electing the Board of Directors and the Internal Audit Commission, early termination of the powers of these bodies etc. The General Meetings of Shareholders approves Company annual reports and annual financial statements (profit and loss accounts), as well as distribution of profits, including dividend payments, appoints the external auditor etc.

The Board of Directors defines priority areas of activities and approves a long-term Company development strategy based on the requirements of the Charter of the Company and decisions of the General Shareholders Meeting in order to ensure profitability of operations, as well as financial and economic sustainability of the Company. The powers of the Board of Directors are defined by the Charter of the Company in accordance with the Federal Law on Joint Stock Companies.

Company day-to-day operations are directed by the collective and sole executive bodies – the Management Board and the President respectively. Both executive bodies are accountable to the Board of Directors and the General Shareholders Meeting.

Sustainability Governance and Management

General direction and oversight of sustainability activities of the Company are provided by the Board of Directors, the President, and the Management Board in accordance with the distribution of responsibilities defined by the respective policies. It is the Vice President for HR and Social Policy who is in charge of coordinating sustainability activities with regard to human resource management, operational and social spheres, and regional socio-economic development programs (including charity). Subordinate to the Vice-President are the HR Department, Social Development Division, Corporate Culture Division, and Government Relations Department.

The health, safety, and environmental aspects of operations are the responsibility of the HSE Department subordinate to the Vice President for Oil and Gas Production.

Corporate Governance Principles

Recognizing the importance of continuous improvement of the corporate governance system to the effective Company development and stakeholder cooperation, in its day-to-day operations Rosneft relies on the principles set forth in the Company Corporate Governance Code based on the Code of Corporate Governance recommended by the FCSM (Federal Commission for the Securities Markets of the RF), the OECD Principles of Corporate Governance, and the Charter of the Company. Information on Rosneft compliance with the FCSM Code of

Corporate Governance is published annually as an appendix to its annual reports.

Rosneft principles of corporate governance include:

- equal treatment of all shareholders;
- bona fide exercise of their rights by all shareholders, the Company, its officials, and other persons concerned, ruling out cases of rights abuse;
- ensuring not only formal but also real opportunity for all shareholders to exercise their rights and legitimate interests;
- strategic governance of the Company operations and effective oversight of executive bodies by the Board of Directors, and accountability of the Board of Directors to the General Shareholders Meeting;
- ensuring effective participation of independent directors in the activities of the Board of Directors;
- timely disclosure of information on the Company including, in particular, its financial and economic performance, ownership structure and governance;
- effective oversight of financial and economic activities of the Company;
- active cooperation of the Company with investors, creditors, and other stakeholders for the purpose of increasing market capitalization of the Company.



General Shareholders Meeting

Rosneft Ordinary General Shareholders Meeting dedicated to the results of the Company activities in 2008 was held in Moscow on June 19, 2009. Holders of 97.14% of Rosneft shares registered to participate in the meeting. The meeting approved the 2008 Annual Report and accounts, as well as distribution of Rosneft profit, totaling RUB 141 313.2 million.

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It was decided to pay 14.4% of the Company non-consolidated net profit, or RUB 20 348.5 million, as dividends on Rosneft shares. The approved dividend payment, RUB 1.92 per ordinary share, is 20% more than the respective payment for 2007. The dividends will be paid by December 31, 2009.

In his opening note Igor Sechin, Chairman of the Rosneft Board of Directors, said that, despite difficult economic climate, the Company had preserved a high level of operational performance, thus asserting its leading position. The year 2008 became «a time of a stress test» for the company, but its results showed that the Company had been able to implement its development strategy even in unfavorable socio-economic conditions. Mr. Sechin also mentioned positive experience of engaging minority shareholders.

During the meeting, which lasted more than seven hours, the Chairman of the Board and top managers of the Company addressed in detail numerous shareholders questions regarding plans, future development, and dividend policy of the Company.

Sergey Bogdanchikov, President of the Company, stressed that Rosneft, despite the negative impact of the world financial crisis, has managed to keep its position among the world oil and gas companies. «And our stock prices performed better than those of our competitors,» Mr. Bogdanchikov noted.

The shareholders elected a new Board of Directors comprised of the following members:

- Vladimir Bogdanov, Director General of Surgutneftegas;
- Sergey Bogdanchikov, President of Rosneft;
- Andrey Kostin, President and Chairman of the Management Board of VTB;
- Alexander Nekipelov, Vice President of the Russian Academy of Sciences;
- Yury Petrov, Head of the Federal Agency for State Property Management;
- Andrey Reus, Director General of Oboronprom;
- Hans-Joerg Rudloff, Chairman of the Executive Committee of Barclays Capital;
- Igor Sechin, Deputy Chairman of the Government of the Russian Federation;
- Nikolai Tokarev, President of Transneft.

The shareholders also approved a number of interested-party transactions, and a large transaction consisting of several parts and undertaken by the Company in accordance with earlier intergovernmental agreements between Russia and China regarding cooperation in the oil sector.

Rosneft Board of Directors

As of December 31, 2008, the Board of Directors was comprised of nine members, including eight non-executive directors and three independent directors.

In 2008, the Board held a total of six meetings (five of them in person and one – by absentee voting).

Committees of the Board of Directors

Audit Committee

The Audit Committee is instrumental in ensuring the oversight of financial and economic activities of the Company by the Board of Directors. In 2008, the Committee held 14 meetings.

HR and Compensation Committee

The HR and Compensation Committee facilitates recruitment of highly skilled professionals by the company and creation of conditions for effective work of these professionals. In the reporting period, 7 meetings of the Committee were held.

Strategic Planning Committee

The Strategic Planning Committee defines strategic goals and priority areas of activity of Rosneft. In the reporting period, the Committee held 5 meetings. (More information on activities of the Board Committees can be found in the 2008 Annual Report.)

Remuneration and Dividends

Only independent members are paid remuneration for their service in the Board of Directors. In accordance with the existing Russian legislation, no remuneration is paid to the Board members having the status of a government servant. Since 2008, in making its decisions on remuneration of independent directors, Rosneft relies on special criteria developed by the HR and Compensation Committee and approved by the Board of Directors.

Information on the dividend policy, recommendations of the Board of Directors regarding the size of dividend payments, and respective decisions of the General Shareholders Meeting are published on the Rosneft corporate website.

Study Remuneration and Dividends

According to the decision of the General Shareholders Meeting held on June 19, 2009, each independent member of the Board of Directors (Andrey Kostin, Alexander Nekipelov, and Hans-Joerg Rudloff) received remuneration of 33 614 ordinary shares for their service in 2008.

Remuneration of the senior officials of the Company (President, Vice Presidents) and heads of structural divisions of Rosneft consists of:

- monthly salary;
- annual bonus.

Risk management

Rosneft operations are associated with a variety of risks, including sectoral, country, regional, financial, legal, environmental, social etc. The risk management policy of the Company is based on the identification and assessment of risks, elaboration of measures to mitigate risks and keep them within acceptable limits, continuous monitoring of risk factors and ensuring the effectiveness of risk control measures.

Approval of the corporate risk management policy is the responsibility of the Board of Directors, while relevant corporate rules, regulations etc. are approved by the Management Board. The top management of the Company is responsible for the implementation of the approved development strategy and for conformance of day-to-day operations to the developed and approved principles and rules.

The main objective of risk management activities of the Company is protecting the interests of its shareholders. This objective is achieved by means of:

- Ensuring sustainable development of the Company operations in accordance with the development strategy approved by shareholders.
- Preventing or minimizing financial and other losses associated with materialization of risks affecting the Company operations.
- Controlling risks faced by the Company in its operations, instead of avoiding them entirely.
- Providing assistance to structural divisions and subsidiaries of the Company in achieving their goals.

Regular reviews and evaluations, both internal and external, are required to ensure the effectiveness of the corporate risk management system. Among other responsibilities delegated by the Board of Directors, the Audit Committee

of the Board approves internal risk management procedures, analyzes the effectiveness of these procedures, and ensures compliance with them.

The main risks that affect or can affect long-term sustainability performance of the Company, include personnel-related risks, restructuring-related risks, and HSE-related risks. (For a detailed list and analysis of risks see Risk Analysis section of the 2008 Rosneft Annual Report).

Personnel-related risks

The Company controls personnel-related risks by providing competitive salaries and working conditions, developing and implementing priority social programs aimed at retention of the most valuable specialists, using corporate skill upgrading system, and maintaining cooperation with professional education institutions in order to select talented youth and improve quality of their training.

Restructuring-related risks

Restructuring measures taken by the Company in order to improve the efficiency of its service divisions by optimizing their structure and headcount may give rise to social conflicts. In order to minimize these risks, the Company works together with labor union organizations representing its employees, and considers the state of local workforce markets when selecting restructuring options.

HSE-related risks

The Company core operations are associated with large-scale and diverse environmental impacts. Exceedance of the allowable impact levels established by the regulatory authorities may result in heavy penalties imposed on the Company and damage to its reputation. In order to reduce such risks, the Company implements a number of targeted programs, including the Environmen-

tal, Gas, and Pipeline Reliability Improvement Programs, installs safer state-of-the-art equipment, trains the staff and works out emergency response methods, processes oil sludge and oil polluted soils, and reclaims land upon completion of production operations. (For more details see Health, Safety and Environment section.)

Internal Control and Audit System

Rosneft has a system of internal control over its financial and operating activities, consisting of the Internal Audit Commission, the Audit Committee of the Board of Directors, an independent auditor, the Control and Audit Department and the Internal Audit Department.

The Rosneft internal control system covers all areas of the Company activities and is aimed at improving the management effectiveness, as well as ensuring reliability of operations and their transparency to the management and shareholders. The main objectives of the system include:

- protection of the Company resources and reputation;
- ensuring reliability of reporting and an adequate assessment of the state of the Company business;
- ensuring compliance with the existing legislation and corporate regulations;
- ensuring compliance with financial accounting rules.

In accordance with the requirements of the FCSM Code of Corporate Governance and the Company own Corporate Governance Code, Rosneft has dedicated divisions responsible for internal control over finances and operations of the Company and timely reporting all the violations discovered to the Audit Committee of the Board of Directors – the Control and Audit Department and the Internal Audit Department.

The main responsibilities of the Control and Audit Department include:

- development of internal control procedures and creation of a unified system of control over finances and operations in divisions, representative offices and subsidiaries of Rosneft (in cooperation with the Audit Committee and executive bodies of the Company);
- conducting comprehensive and random audits of operations and financial activities of Company divisions, representative offices and subsidiaries with the involvement of relevant specialists, members of auditing commissions and members of control and audit divisions;
- ensuring proper and timely execution of decisions of the Board of Directors, Management Board and President of the Company, review of requests from subsidiaries and structural divisions on issues falling under the responsibility of the Control and Audit Department, and control over implementation of the decisions made;
- appraisal, categorization, and minimization of potential risks associated with the Company operations;
- cooperation with the Audit Committee and providing it with information regarding the state of internal controls in the Company;
- procedural and methodological support of audit commissions and control and audit divisions of the subsidiaries.

The Control and Audit Department is subordinate to the Board of Directors immediately and/or through the Board Audit Committee. The findings of audits are presented to the Company President for review. The existing scheme of Department subordination to the Audit Committee and executive bodies of the Company ensures sufficient independence for fulfilling the Department objectives and conforms to international standards and best practices in the field of internal audit.



The main responsibilities of the Internal Audit Department include:

- providing the Board of Directors and Company management with reliable information about Company risks and the effectiveness of the corporate governance system, including the risk management system and internal controls;
- providing analysis and advice to the relevant Company bodies with regard to implementation of procedures ensuring legal compliance, control over preparation of financial accounts to ensure their accuracy, and improvement of the effectiveness of corporate governance and business processes.

The Internal Audit Department is subordinate to the respective Vice President and accountable to the Board of Directors and its Auditing Committee, the Company President and the Management Board.

Information transparency

Rosneft discloses information according to its commitments set forth in the Corporate Governance Code and the Code of Business Ethics.

The disclosure process and content are governed by requirements of the Federal Law on the Securities Market and the Federal Law on Joint Stock Companies; the Regulation on Disclosure by Securities Issuers, approved by the Order of the Federal Financial Markets Service dated October 10, 2006 No.06-117/pz-n; requirements of the stock exchanges where the Company shares are listed; Rosneft own Regulation on Information Policy, and other regulatory acts.

Rosneft stakeholder communication system is aimed at maintaining the reputation of a reliable and effective company, a recognized leader of the Russian oil and gas market with an active social attitude.

Rosneft views its information policy as a set of disclosure measures aimed at providing shareholders and other stakeholders with the information on the Company that they need for making informed and balanced decisions. The policy is aimed at ensuring free and easy stakeholder access to such information. The main principles of the Rosneft information policy include regularity, timeliness, accessibility, accuracy, completeness, balance, and objectivity.

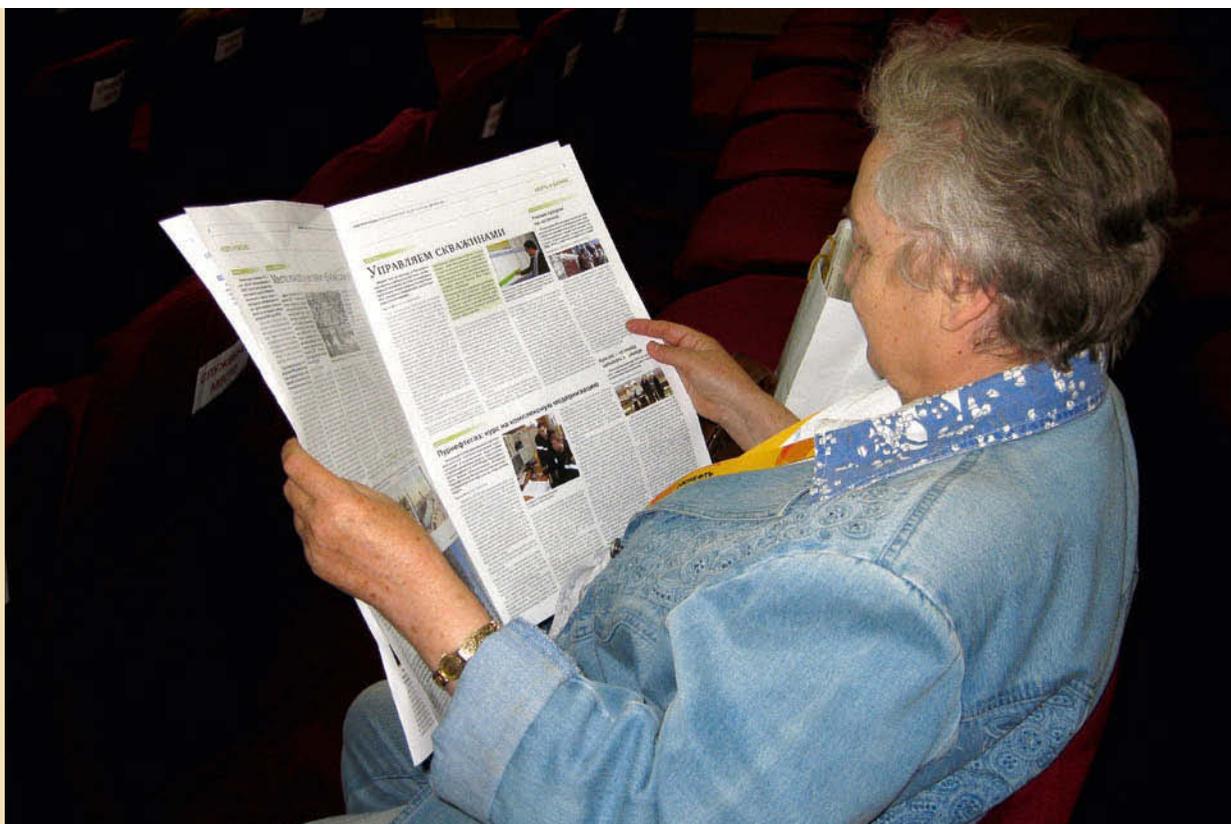
Rosneft informs its stakeholders about:

- corporate development strategy, major achievements, as well as goals and objectives set for future periods;
- corporate governance system and corporate culture;
- activities in the field of sustainability;
- material facts and events, management structure, as well as financial and operational performance.

One of the most effective disclosure channels is the Rosneft website, where the Charter and internal regulations, annual and quarterly reports, financial statements, sustainability reports, as well as other information on all material facts and Company performance is freely available to all stakeholders.

Since 2005, Rosneft publishes annual reports presenting key results of the Company activities in the respective year and future plans. For the third year in a row the Company publishes a Sustainability Report.

In 2008, the Company continued to hold regular meetings with minority shareholders, where issues concerning shareholder rights, dividend and information policy of Rosneft, corporate governance system of joint-stock companies, and other aspects of company law were discussed in detail.



Rosneft in the Standard & Poor Transparency and Disclosure Survey

According to the Standard & Poor survey Transparency and Disclosure by Russian Companies 2008, Rosneft was scored the best among oil and gas companies and rose to the second position in the overall ranking (compared to the 10th position in 2007).

The survey involved a comparison of disclosure practices of 90 largest Russian companies based on the analysis of three major sources of public information: annual reports, Web-based disclosures, and public regulatory reporting. The analysis was focused on three major components, including: ownership structure and shareholder rights; financial and operational information; and Board and management structure and process. According to the study, Rosneft transparency score was 78%, while the average score for all companies included in the survey was 56%.

Rosneft got a special mention in the survey – the analysts noted that since its IPO in 2006, the Company had been improving its transparency for the second year in a row. According to Standard & Poor, the Company annual report had become much more informative, disclosure of the ownership structure had improved, and Rosneft published its audited financial accounts before the end of April.



As a part of its interaction with institutional investors and analysts, Rosneft held regular presentations of its US GAAP financial statements, as well as meetings in Russia and in the world largest financial centers, and conference calls.

In 2008 the Company significantly reduced the lag between the end of a reporting period and the publication date of respective financial statements (consolidated US GAAP financial accounts for 2008 were published on March 4, 2009, a month earlier than in the previous year). Rosneft will work to further reduce the lag in the future.

The management of Rosneft and its subsidiaries maintains continuous contact with representatives of both federal and regional media, ensuring wide media coverage of the Company and maintaining its positive public image of a major participant of the national and international oil and gas markets.

A significant body of information on the Company operations and social activities is communicated to

stakeholders by means of corporate media, including: «Rosneft. Vestnik Kompanii» [Rosneft. Company Bulletin] and «Rosneft. Nauchno-Tehnicheskii Vestnik» [Rosneft. Scientific and Technical Bulletin] magazines, as well as «Neftyanoi Kurier» [The Oil Courier] and «Aktioner» [The Shareholder] newspapers.

Roundtable meeting with stakeholders held in the Company regions of operations also contribute to the enhancement of the Rosneft transparency.

Rosneft makes efforts to protect confidential information, considering this an important condition of maintaining corporate stability and competitiveness.

Corporate culture

Rosneft corporate culture is based on the Company mission, values, philosophy and vision, set forth by the Code of Business Ethics.

The Company works to maintain and further improve a high level of corporate culture and promote its corporate ideals throughout its subsidiaries and enterprises.

Internal Communications

The Company considers a system of internal communications an important component of its corporate culture. It is the Division of Corporate Culture that is responsible for formation of corporate culture and an effective system of internal communications.

The goals of creation and development of the Rosneft system of internal communications include:

- creating an integrated communication space of the Company;
- building the Company reputation as a socially responsible employer;
- fostering corporate loyalty of the staff;
- maintaining a high level of corporate culture.

The objectives of the system include:

- planning and implementation of actions aimed at building and strengthening the Company reputation among its employees;

- creation and further development of a system allowing employees to provide feedback to the management of the Company and its subsidiaries.

In order to achieve the established goals, the Rosneft Division of Corporate Culture:

- conducts surveys, monitoring and analysis of the state of corporate culture in the Company;
- ensures the implementation of the Code of Business Ethics, oversees the Code implementation system, and carries out ethical management within the Company;
- participates in the development and implementation of corporate non-monetary motivation programs;
- maintains and develops a corporate museum in order to facilitate study and preservation of the history of the Company and oil sector as a whole, and to reflect Company activities in the field of research and development, environmental and social policy, as well as charity;
- ensures communication of necessary information to the Company personnel;
- creates and maintains an employee – management feedback system.

The Company relies on the following instruments of internal communications:

- corporate media;
- information stands;
- meetings with labor collectives;
- employee opinion surveys;
- feedback boxes, corporate telephone line and e-mail address;
- personal reception of employees by the management.

In Company subsidiaries, meetings of top managers with employees to discuss significant issues of the day are held on a regular basis.

Code of Business Ethics

In 2008, Rosneft adopted a Code of Business Ethics, a comprehensive document that both defined general values and principles, and included detailed provisions and procedures to regulate employee conduct in specific situation. In particular, the document sets forth basic beliefs of the Company, including its mission, vision of the future, and corporate values.

According to the Code, employees responsibilities include, in particular, good performance of their work duties, compliance with corporate rules and standards, improvement of professional skills and qualities etc. The document also defines Company obligations to its employees, including, in particular, ensuring stable and decent salaries, as well as an appropriate level of occupational health and safety, and providing social security and medical assistance within the framework of corporate programs etc.

The code defines the rules of professional conduct intended to prevent negative effects of conflicts of interest by eliminating any possibility of such a conflict. The code also prohibits any inappropriate use of inside information.

As regards customer relations, the Code urges employees to interact with customers on the basis of long-term cooperation, mutual benefit, respect, trust, integrity and fairness.

The Code of Business Ethics contains the statement of Rosneft corporate citizenship: «The Company considers corporate social responsibility an important component of interaction with state authorities, business and society.

Rosneft Oil Company adheres to a policy of high social responsibility to its employees and their family members, the residents of regions where the Company operates, and to the society at large.

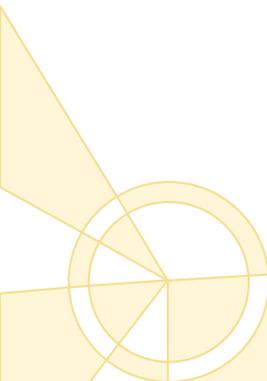


SECTION 4. CORPORATE GOVERNANCE AND CULTURE



In 2009, it is planned to implement a program aimed at the introduction of the Code provisions into the Company practices. The program includes the following components:

- an awareness program to communicate the values and principles set forth by the Code;
- creation of the corporate ethics infrastructure including channels for employee–management feedback;
- development of corporate regulations and instruments in the field of business ethics, including procedures of interaction between participants of the Code implementation system, and an employee grievance procedure;
- monitoring of the performance of a corporate ethical system.



«Diagnostic survey of corporate culture, internal communications, and employee satisfaction in Rosneft»

A diagnostic survey conducted in 2008 demonstrated positive results of Rosneft activities in the field of corporate culture, internal communications, and HR policy.

The objectives of the study were to evaluate the level of employee satisfaction with their work, and to identify characteristic features of organizational culture and internal communications within the Company and its subsidiaries. About 13 thousand employees representing 36 subsidiaries participated in the survey. The study involved a questionnaire survey, interviews, and focus group meetings.

Most survey participants described the Company as a «supercompany», «stable» and «reliable», with 86% of the employees being proud of working for Rosneft.

Among Company strengths they mentioned a high professional level of its managers and the fact that decisions made by the Company are usually well thought off.

Most survey participants appreciated the opportunities stemming from the Company HR policy. More than half of the employees believed that the Company provided them with good opportunities for upgrading their skills, training, and professional growth.

More than 60% of those surveyed noted that the Company cares about them, providing a necessary set of social benefits and paying attention to occupational health and safety. The employees noted improvements in working conditions, positive changes in the state of workplaces and amenity rooms, more energetic actions to improve occupational and environmental safety.

The activities planned on the basis of the survey results included a set of measures to promote uniform understanding of the Company development priorities and to more actively inform employees about such topics as the significance of activities, achievements and prospects of their companies to the whole Rosneft business, planned changes, as well as the tactics and strategy of Rosneft development.

SECTION 5

HEALTH, SAFETY, AND ENVIRONMENT



■ HSE Policy and Management

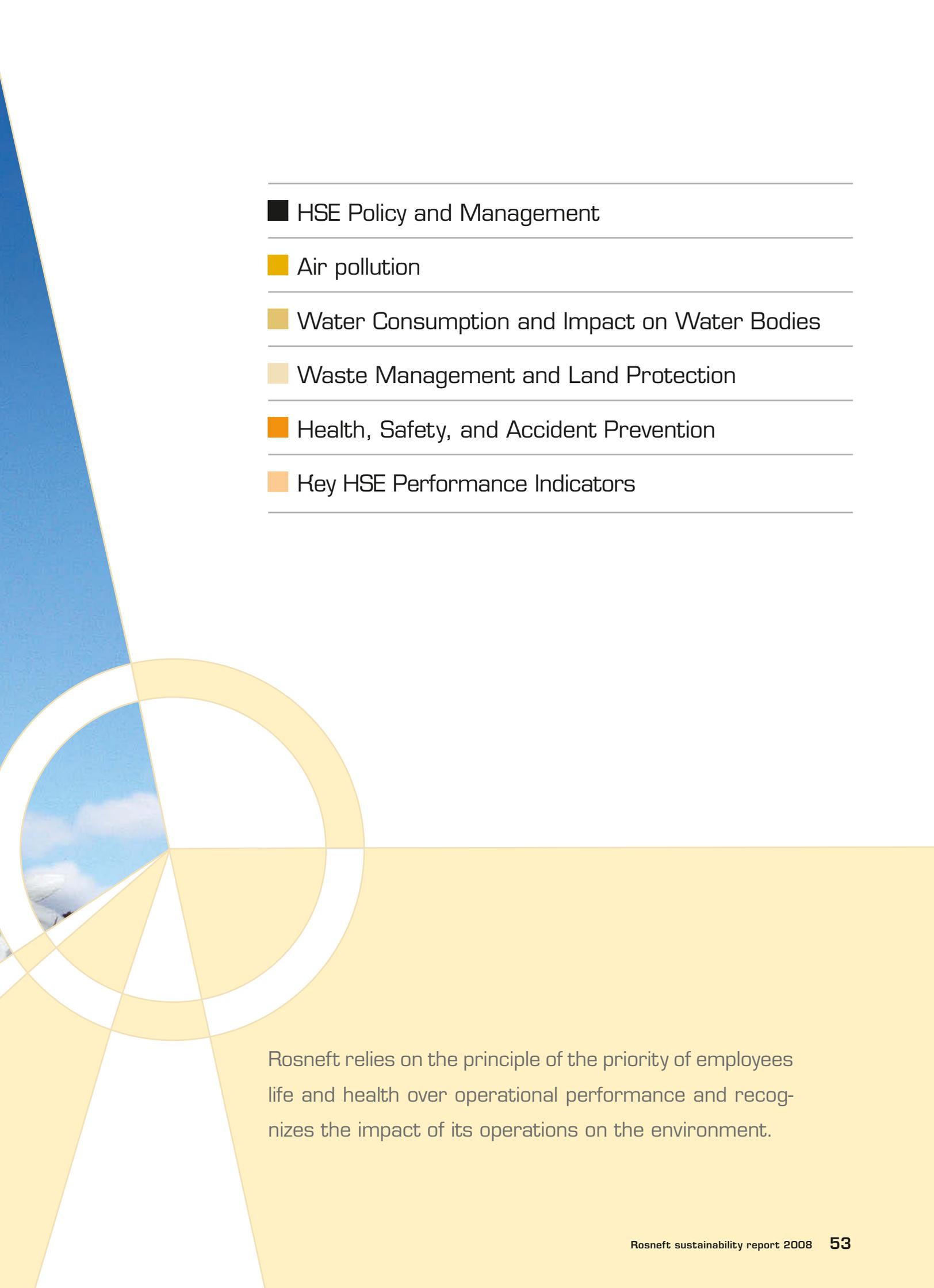
■ Air pollution

■ Water Consumption and Impact on Water Bodies

■ Waste Management and Land Protection

■ Health, Safety, and Accident Prevention

■ Key HSE Performance Indicators



Rosneft relies on the principle of the priority of employees life and health over operational performance and recognizes the impact of its operations on the environment.

HSE Policy and Management



Development of an integrated management system

Rosneft relies on the principle of the priority of employees life and health over operational performance and recognizes the impact of its operations on the environment.

Company activities in the field of health, safety and environment (HSE) are guided by the corporate HSE Policy based on ISO 14001:2004 and OHSAS 18001:2007 standards.

The HSE objectives of the Company include:

- continuous improvement of the state of industrial safety, occupational health and safety (OHS), and the environment;
- continuous reduction of occupational injury rate, accident rate, and environmental impacts of operations;

- achievement of the occupational and environmental safety level comparable to the one of the world leading oil companies;
- minimization of impacts of newly commissioned facilities on the environment and the personnel.

In order to facilitate further improvement of the Company HSE management system, in 2008 Rosneft developed a number of corporate standards, which:

- defined responsibilities of Company managers and specialists in the fields of industrial and fire safety, OHS, environmental protection, as well as emergency preparedness and response;
- detailed Company requirements to contractors and lessees;
- determined requirements concerning elaboration of objectives and programs within the framework of the integrated management system, as well as monitoring and review of their implementation etc.

In 2008, Bureau Veritas Certification, a certifying organization, assured that the Company introduced, documented, and was maintaining and continuously improving its integrated HSE management system (HSE IMS), conforming to the requirements of the international standards. The auditors formulated recommendations on the further improvement of the system. In order to implement these recommendations, the Company developed an action plan for the improvement of HSE IMS for 2008-2009.

In 2008, the Company energetically worked on the integration of newly acquired assets and service companies into the overall HSE management system. Internal audits were carried out in 14 subsidiary companies, and 157 non-conformances to



the international standards were identified. 118 of them have been already corrected, and the Company works to remediate the remaining ones.

In order to ensure compliance with the applicable OHS requirements, in 2008 Rosneft conducted 22 comprehensive audits of its subsidiary companies, while subsidiaries themselves undertook more than 23 thousand OHS inspections. The results revealed an insufficient level of OHS performance in some companies including, in particular, a low share of non-conformances corrected after being identified and repeated discovery of non-conformances identified earlier. Based on the 2008 results, about five thousand employees faced disciplinary actions and were deprived of bonuses for

failing to comply with the OHS requirements. At the same time, more than 1200 employees were rewarded for their contribution to OHS activities.

In 2008, 69 Directors General of the subsidiaries, 313 heads and deputy heads of Rosneft divisions, and 157 employees, responsible for maintaining the integrated management system in their divisions, received short-term and mid-term skill upgrading training in the field of HSE IMS. More than 1200 managers and specialists were trained in various areas of environmental protection. Special skill upgrading trainings were organized for 32 employees responsible for compliance with the European Community REACH regulation governing registration, evaluation and

In 2008, Kuibyshev Refinery, a Rosneft subsidiary, was declared a winner of two national contests – Leader of Environmental Protection Activities in Russia 2008 (for the second straight year) and Best Environmental Project of the Year.

authorization of chemicals for the marketing and use, and intended to ensure a high level of environmental and health protection.

In environmental impact assessment of its new projects, the Company considers stakeholders views and organizes public hearings. In March 2008, the Company organized public hearings in Tarko-Sale on the potential environmental impacts of the proposed construction of a booster compressor station and a temporary underground gas storage at the Kharampurskoye field operated by RN-Purneftegas. In April 2008 in Nakhodka, public hearings were held to discuss a project of the construction of a refinery near the city. The proposed refinery was associated with the Eastern Siberia – Pacific Ocean pipeline currently being constructed, and a future marine oil terminal in the Kozmino bay.

HSE Expenditures

In 2008, Rosneft substantially increased its spending on procurement, construction, and re-construction of environmental protection facilities and equipment; in particular, the respective spending in oil production operations grew almost three-fold. Operational expenses associated with environmental protection activities increased four-fold. Environmental pollution fees also increased, but this reflected an increase in the scale of the Company operations. At the same time the Company decreased the share of payments associated with exceedance of established standards in the total amount of environmental fees.

In 2008, regulatory environmental authorities imposed on the Company subsidiaries fines totaling about RUB 30 million (with almost RUB 29 million being imposed on oil production subsidiaries).

ROSNEFT HSE EXPENDITURES, RUB MILLION

	2006	2007	2008
OHS expenses	710	1946	1961
Capital investments in environmental protection	1205	1114	2846
Operational expenses on environmental protection	795	2700	4604
Environmental pollution fines	17	20	30
Environmental pollution fees	357	183	306

Automatic air quality monitoring station and information displays in Tuapse.

By 2010, it is planned to install four automatic air quality monitoring stations in the city. The first station was installed in 2008 near the Tuapse Refinery. Monitoring results will be presented in real time on an electronic information display to be installed near the station. It is expected that the monitoring data will help city residents understand that vehicle traffic contributes to the air pollution much more than the industries. It is planned that the second display to present the data from the three remaining stations will be installed in the center of the city.

Air pollution

In 2008, the overall hazardous emissions of Rosneft amounted to 897.2 kt, or 28% more than in the previous year. This was a result of acquisition of major new assets in the middle of 2007.

At the Company level, a significant increase in emissions of sulphur dioxide and volatile organic compounds took place as a result of substantial expansion of Rosneft refining operation after acquisition of five major refineries in 2007.

TOTAL POLLUTANT EMISSIONS BY SECTOR

	2006	2007	2008
Total pollutant emission, kt	1059,9	697,77	897,02
oil production	1041,05	682,90	756,94
oil refining	10,50	7,25	115,96
gas processing			9,57
marketing	8,24	7,62 [✓]	11,35
service subsidiaries			3,20

TOTAL HAZARDOUS EMISSIONS BY POLLUTANT

	2006	2007	2008
Total hazardous emissions, kt	1 059,79	697,77	897,2
including:			
solid	80,68 [✓]	49,47	52,4
including:			
solid fuel ash	5,07	5,83	0,00
gaseous and liquid	979,11 [✓]	648,29	844,47
including:			
sulphur dioxide	10,84 [✓]	11,43	75,15
carbon oxide	722,1 [✓]	452,60	492,89
nitrogen oxides	15,81 [✓]	12,26	22,08
hydrocarbons (excl. VOC)	170,39 [✓]	115,49	115,76
volatile organic compounds (VOC)	60,35 [✓]	56,14	155,22
benzo(a)pyrene	— [✓]	0,00018 [✓]	0,00040

Emissions from oil production

Oil production operations are responsible for the largest share of the Company pollutant emissions – 84%. In the course of the recent restructuring aimed at optimizing Company operations, some environmental facilities and emission sources were transferred to newly created subsidiaries – service companies (RN-Service, RN-Burenie, RN-Energo etc.). Therefore it would be incorrect to directly compare the 2007 and 2008 emission data for oil production companies.

Specific emissions from oil production operations, taking into account newly created service companies, decreased insignificantly. At the same time, the share of sulphur dioxide in total emissions increased as a result of changes in the composition of extracted associated petroleum gas.

In order to reduce pollutant emission from oil production operations, in 2008 the Company took measures in the following areas:

- increasing associated petroleum gas (APG) utilization rate by using it for Company own needs;
- reconstruction of pressurized and low-pressure gas pipelines;
- survey of gas pipeline sections by means of pit sampling, and their major repairs, when necessary;
- adjustment of burners, boilers, furnaces, etc.;
- repairing tanks, cleaning and painting them with reflective paint;
- air quality monitoring etc.

APG flaring is the largest source of pollutant emissions of the Company. In order to increase APG utilization rate, Rosneft has developed and is implementing a Company-wide Gas Program (see the 2006 and 2007 Sustainability Reports for more details of the Program). Despite the economic downturn at the end of 2008, the main goals and objectives of the Program remained unchanged.

The objectives of the Rosneft Gas Program for 2008 – 2012 include:

- increase in the APG utilization rate at each Company license area to 95% by 2011, in order to eliminate the risk of license withdrawal;
- increase in natural gas production at the gas and gas condensate fields operated by the Company to 27.4 bscm per year by 2012;
- increase in gas production to 48 bscm per year by 2015 and to 55 bscm per year by 2020.

In 2008, Rosneft oil and gas production subsidiaries took a number of actions aimed at increasing the APG utilization rate, including:

- increasing the use of APG for electricity generation;
- installation of gas-fired oil preheaters;
- using APG in oil treatment units;
- switching of heating systems of oilfield offices and living quarters to APG.

In 2008, the APG utilization rate in Rosneft subsidiaries reached 62.9%, or 1.9 percentage points more than the target established for the year (61%).

Increase in APG utilization allows not only to reduce its flaring, but also to substitute other types of fossil fuel, thus contributing to greenhouse gas emissions reduction. In some cases such projects cannot be cost effective if implemented by Rosneft alone, and the Company attracts additional funding using flexibility mechanisms of the Kyoto Protocol. Agreements with the World Bank and Carbon Trade & Finance company allow Rosneft to implement the following projects:

- construction of a booster compressor station at the Komsomolskoye field operated by RN-Purneftegas and a gas pipeline, which will allow to deliver the gas produced to the Gasprom field pipeline network;

- creation of a temporary underground gas storage at the Kharampurskoye field operated by RN-Purneftegas by injecting recovered APG into a Cilamansky gas deposit;
- the use of APG from the Khasyreiskoye field operated by RN-Severnaya Neft for generating electricity at the Khasyreisky Power Center (capacity 33 MW). Creation of Company own Pow-

er Center will allow to not only fulfill the needs of all the Rosneft operations in the area, but also to sell excess power to external customers.

So far the Company has not completed an inventory of its total greenhouse gas emissions, but consultations regarding methodology of assessing direct emissions are being conducted at the moment.



Energy efficiency

In 2006 through 2008, the implementation of the Rosneft energy saving program saved the Company 1508 million kWh of power, 624 thousand GJ of heat, and 92.2 tce (tons of coal equivalent) of boiler and furnace fuel. Of this amount, 657 million kWh, 346 thousand GJ and 42.6 tce were saved in 2008.

Emissions in Oil Refining and Marketing

In 2008, both total and specific pollutant emissions from Rosneft refining operations increased, since a number of new refineries acquired in 2007 and usually characterized by higher specific emissions were included in the Company reporting. At the same time, a number of measures implemented by the Company at the Komsomolsk, Tuapse, Achinsk, Novokuibyshevsk, and Syzran refineries and Angarsk Petrochemical Company in 2008 allowed to reduce specific emissions of these enterprises.

In oil refining and marketing, emissions reduction is achieved by reconstruction of tank farms, upgrade of equipment, and optimization of petroleum products loading/unloading processes. A substantial contribution to reducing emissions will be made by reconstruction of the Company refineries.

In 2008, Rosneft implemented a number of projects aimed at the improvement of environmental safety of its products. Most projects involved upgrading Company refineries and enhancing their efficiency, at the same time being aimed at switching to the production of motor fuel compliant with Euro 3, Euro 4, and Euro 5 standards. Currently Rosneft plans an upgrade of the Achinsk Refinery, which will enable the plant to produce Euro 3 and Euro 4 fuels. In 2008-2012, it is planned to carry out a reconstruction of the Komsomolsk Refinery, which is already capable of producing Euro 5 diesel fuel and Euro 2 gasoline.

Reconstruction of the Tuapse Refinery started by the Company will allow the enterprise to produce Euro 3 and Euro 4 motor fuel by 2012, and Euro 5 fuel – by 2014.

Reconstruction of the Tuapse Refinery

In 2008, Rosneft completed preparation of an upgrade program for the Tuapse Refinery, involving reconstruction of existing and construction of new process units, and embarked on the implementation of the program.

In particular, the construction of a new crude oil distillation unit was started in 2008. Commissioning of the unit will increase refinery throughput to 12 mmt of oil per year.

The refinery upgrade will involve bringing the refinery environmental performance in compliance with the international standards: emissions of hydrocarbon gases within 0.6 kg/ton (the international standard – 1.1 kg/ton) and wastewater treatment to 0.05 mg/l (the international standard – 0.3 mg/l).



Integrated approach toward reducing emissions of refineries

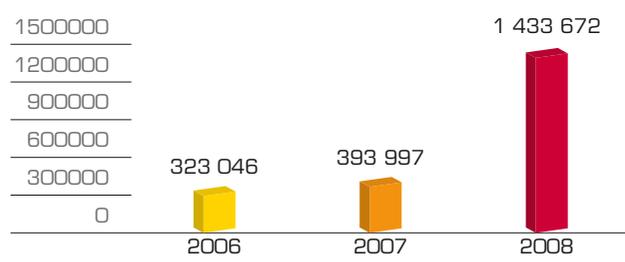
At Angarsk Petrochemical Company, 14 oil and petroleum product tanks were equipped with highly efficient aluminum floating pontoon roofs. Open-type pumps were replaced with sealed ones, the second stages of reconstruction of the sulfuric acid production unit and of modernization of the sealed gasoline filling unit were completed; at the biological treatment plant, overflow weir combs were installed at the secondary settling tanks, and aeration system of activated sludge tanks was replaced. Reconstruction of three cooling towers was completed. As a result of these measures, specific emissions of the enterprise were reduced from 3.19 to 2.94 kg/ton.

At the Kuibyshev Refinery in 2008, floating roofs were installed at oil and petroleum product tanks, and combustion of excessive gaseous fuel at a combined heat and power plant was introduced. A project involving switching of the heat and power plant from fuel oil to natural gas is being implemented at the refinery.

Water Consumption and Impact on Water Bodies

Water consumption of Rosneft operations increased both in absolute terms (mainly due to the acquisition of new assets), and in specific terms in the oil production sector – as a result of peculiarities of the oil fields developed during the reporting period. Specific water consumption in marketing continued to decrease as a result of a number of actions, such as installation of systems for storm-water runoff collection and treatment, and introduction of water recycling at car washes.

VOLUME OF RECYCLED AND REUSED WATER, MSCM



Water is typically reused in oil production to help maintain reservoir pressure, while water recycling is practiced mainly in cooling systems of refining and gas processing plants.

WATER CONSUMPTION, MSCM

	2006	2007	2008
Water consumption from all sources, total	141,6	144,4	256,5
including:			
oil production	136,1	138,7	181,7
refining	4,2	4,5	68,2
gas processing			4,2
marketing	1,3	1,2	1,7
service subsidiaries			0,7

By far the largest source of wastewater discharged to water bodies by Rosneft (98%) is refining operations (in 2007 – 63%). Almost all water discharged by refineries to surface water bodies after treatment does not comply with the established water quality standards and should be considered polluted. Therefore the Company has to pay for these discharges in accordance with the existing legislation. More than half of all wastewater discharged by refineries through their treatment facilities (more than 60 mscm) comes from external sources – other organizations or municipal systems. In order to address the issue of discharging wastewater non-compliant with the established sanitary standards, the Novokuibyshevsk, Kuibyshev, and Syzran refineries in 2008 reviewed additional water treatment options and designed additional treatment facilities. The reconstruction program of the Tuapse Refinery provides for complete reconstruction of the wastewater treatment facilities to be started in 2009.

Despite the increase in total wastewater discharge by the Company, a number of subsidiaries, including RN-Purneftegas, RN-Krasnodarneftegas, RN-Severnaya Neft, RN-Yuganskneftegas, Syzran Refinery, and Tuapse Refinery, were able to reduce their polluted wastewater discharges as a result of commissioning new treatment facilities.

WASTEWATER DISCHARGE TO SURFACE WATER BODIES, THOUSAND M³

	2006	2007	2008
Total wastewater discharge to surface water bodies, thousand m ³	7086	6825	113 332
including:			
oil production	1575	1098	922
refining	3933	4321	110 843
gas processing			—
marketing	1578	1405	1567
service subsidiaries			—
including:			
treated to a standard level	3308	2833	3507
polluted	3778	3992	109 825

In order to reduce adverse impact on water resources, Rosneft oil production subsidiaries took actions both within the framework of the Company-wide Environmental Program and as a part of their own environmental initiatives. These ac-

tions included, in particular, construction and commissioning of biological water treatment facilities, as well as installation of oil traps and oil booms at small rivers and streams.





Tuapse Environmental Program

As a result of many decades of refining operations, as well as oil and petroleum product storage and handling, a large area of soil and groundwater contaminated with petroleum products has formed at the Tuapse River mouth. The Company, authorities and local community all view preventing further spread of this contamination and pollution of river water as a priority objective. In order to accomplish this objective a protective drainage system was created. In May 2008, an action plan to clean the Tuapse River from contaminated soil and sediment was finalized and approved. Measures aimed at decontaminating the Tuapse River floodplain were included in the Action Plan on Bringing the Environmental Performance of RN-Tuapse Refinery and RN-Tuapsenefteproduct in Compliance with the International Standards, approved by the Rosneft President in February, 2009.

The Company subsidiaries carry out geo-ecological monitoring to evaluate the effectiveness of the drainage system and decontamination efforts. According to the monitoring data, subsoil oil accumulations have been contained and significantly reduced. The amount of petroleum products extracted in 2008 decreased almost seven times compared to 2007. In addition to drainage system, a number of other measures, including replacing underground process pipelines with surface ones, upgrading equipment of RN-Tuapsenefteproduct, elimination of unused sludge reservoirs at the Tuapse Refinery etc., also contributed to this result.

Waste Management and Land Protection

In 2008, the Company paid significant attention to processing of oil-containing waste and managed to increase the overall recovery rate of such waste.

In 2008, Rosneft efforts to reduce waste generation and the amount of waste accumulated included the following actions:

- completion of the construction of an industrial waste landfill near well pad No.212 of the Priobskoye field operated by RN-Yuganskneftegas;
- commissioning of an oil-contaminated waste processing unit at the industrial waste landfill of the Yuzhno-Surgutskoye field operated by RN-Yuganskneftegas;
- design and survey works for industrial waste landfills at the Kiniaminskoye field operated by RN-Yuganskneftegas and for Samaraneftegas;
- installation of a thermal desorption unit for waste treatment at the Vankor oil field;
- completion of the construction of industrial and household waste landfill at the Tarasovskoye field operated by RN-Purneftegas;
- procurement of a tire recycling unit for RN-Purneftegas;
- design and survey works for an industrial waste landfill for RN-Stavropolneftegas;
- completion of the construction of a sludge reservoir and a temporary scrap metal storage site at the Igolsko-Talovoye field operated by Tomskneft;
- repair of an oil sludge processing unit at Samaraneftegas;
- commissioning of a waste landfill and wastewater treatment facilities at RN-Severnaya Neft.

At the same time a major increase in oil refining operations resulted in significant growth of waste generation in 2008 compared to the previous year.

WASTE MANAGEMENT, TONS

	2006	2007	2008
Waste stored at the beginning of the year	2 356 692 [✓]	2 318 947	2 742 566
including oil sludge	80 642 [✓]	92 544,33 [✓]	341 555
Generated during the year,	114 751 [✓]	545 231	1 585 821
including oil sludge	21 702 [✓]	74 963 [✓]	83 790
Recovered during the year,	93 628 [✓]	85 001	598 154
including oil sludge	4 816 [✓]	3 225	28 323
Decontaminated at the Company facilities	31 782 [✓]	27 856	209 237
including oil sludge	5 326 [✓]	13 697	30 18
Transferred to third-party organizations,	355 587 [✓]	401 172	718 716
including oil sludge	71 33 [✓]	68 348	29 071
Waste stored at the end of the year	2 318 947	2 347 285	2 389 194
including oil sludge	92 545 [✓]	102 934	372 663

In order to address such issues as processing of oil-containing and drilling waste, and extraction and recovery of petroleum products from contaminated wastewater in a more effective manner, a special development program for RN-Service, a service subsidiary, was elaborated. Special environmental service divisions were created in regional branches of RN-Service and then consolidated under Samarskaya ServiceEcologiya subsidiary.

in 2008 the construction of an industrial waste landfill was completed. In 2006, a corporate standard Procedure of Conducting Operations within the License Area of the Priobsky Oil and Gas Region was introduced in RN-Yuganskneftegas. The standard establishes limitations on operations within the area and responsibilities for compliance with its requirements.

Despite the Company efforts aimed at pipeline monitoring, repair, replacement, and corrosion

DISTURBED LANDS AND THEIR RECLAMATION, HA

	2006	2007	2008
Area of disturbed lands at the beginning of the year, ha	10 093,25	12 040,49	17 927,89
incl. contaminated	1 569,01	1 351,96	2 111,97
Area of disturbed lands at the end of the year, ha	12 040,49	17 927,89	21 074,52
incl. contaminated	1 339,00	1 250,96	1 889,89
Land reclamation during the year, ha	3 833,52	1 208,44	2 983,75
incl. contaminated	614,60	517,03	569,4

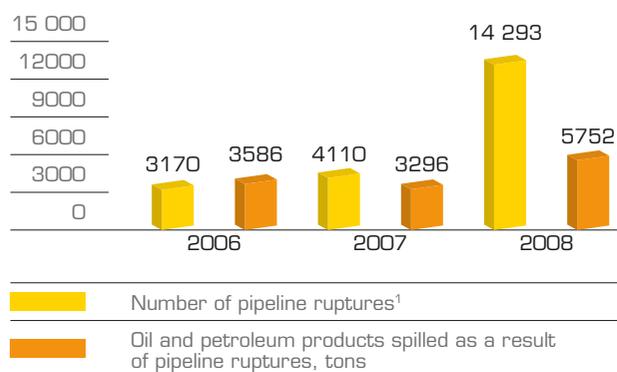
Since the beginning of 2008, the area of Rosneft disturbed land increased by more than 7 thousand hectares as a result of acquisition of new oil production companies. Therefore, in 2008 the Company was unable to offset the increase in the total area of disturbed and contaminated lands by its land reclamation activities. A total of 569.4 ha of oil-contaminated land were reclaimed in 2008, with RN-Yuganskneftegas, Grozneftegas, and Tomskneft accounting for the largest share. In addition, 53 mud pits were reclaimed in 2008. Plans for 2009 provide for reclamation of almost 800 ha of oil-contaminated lands, with the companies mentioned above being responsible for decontaminating the largest share again.

In order to protect sensitive environment of the part of the Ob River floodplain, where Priobskoye field operated by RN-Yuganskneftegas is located,

inhibition, 2008 saw a dramatic increase in the number of non-reportable pipeline ruptures compared to the previous year. The main factor of this increase was the acquisition of new oil producing companies in 2007, which were first included in the Company reporting in 2008.

In order to address this issue, the Company adopted the Pipeline Reliability Improvement Program for 2009–2013. The Program provides for reconstruction or repair of more than 5700 km of pipelines, as well as diagnostics and industrial safety inspection of 26 thousand km to be conducted during this period. The annual amount of pig cleaning works will increase from 3295 km of pipelines in 2009 to 5690 km in 2013, while the amount of corrosion inhibition works will increase from 4566 km to 8556 km per year respectively. (The total length of Rosneft pipelines at the end of 2008 was 51 727 km, with

PIPELINE RUPTURES AND SPILLS



¹ Pipeline ruptures, which may potentially lead to environmental pollution, including ruptures of oil, gas, and water pipelines.

39 410 km of this amount being active.) The program is expected to result in the reduction of pipeline rupture rate from 0.365 ruptures per km in 2008 to 0.218 ruptures per km in 2013. To complement the Company-wide program, subsidiaries undertake additional measures to improve pipeline reliability, financing them from their own budgets. For example, RN-Purneftegas uses both program funds and its own budget to carry out pipeline diagnostics and diving inspections at water body crossings, major repairs and replacement of ruptured or leaking pipeline sections, monitoring of pipeline functioning, and corrosion inhibition.



Samaraneftrgas corrosion inhibition program

Samaganeftegas, a Company subsidiary, implements a corrosion inhibition program to reduce the pipeline rupture rate in its oil-gathering network. A specific feature of the program is that payments to the contractors are contingent on their meeting the contractual obligation to reduce the rupture rate at the sections processed by 30% compared to the previous year. As a result, in 2008 the rupture rate throughout the company decreased by 12%, while at certain processed pipeline sections it decreased two-fold and more (compared to the previous year). Similar programs are implemented by RN-Stavropolneftegas and Udmurtneft, also operating branched small-diameter pipelines, which can be effectively protected by means of corrosion inhibition.

Health, Safety, and Accident Prevention

Occupational Health and Safety

Occupational injury prevention efforts made by the Company in 2008 allowed do reduce the total number of injuries by 17.8% compared to 2007. Despite an increase in the total Company headcount, the number of work-related fatalities decreased three times, the number of injuries associated with group accidents decreased two times, the number of injuries associated with road accidents decreased more than four times. The main causes of work-related injuries in 2008 included poor organization of works (30% of cases) and personal negligence (22% of cases).

Since occupational injuries in contractor organization remained a significant issue, the Company developed and introduced a standard with de-

In 2008, Rosneft continued workplace assessment with regard to working conditions and was taking actions to ensure workplace safety. As the Company restructures its operations, creates new or reconstructs existing facilities, new workplaces are created, which are then included in assessment schedules.

The Company carries out workplace assessment in a staged manner; 82% of the workplaces had been assessed by the end of the reporting period.

Ensuring Fire Safety and Emergency Response

Rosneft has a system of emergency prevention and response, which is a part of the Unified State System of Emergency Prevention and Re-

KEY INDICATORS OF ROSNEFT OHS PERFORMANCE

	2006	2007	2008
Number of work-related fatalities	7	15	5
Number of occupational injuries	40	62	55
Occupational injury rate (cases per 200 thousand hours)	0,068	0,065	0,045
Occupational injury rate (cases per million hours)	0,340	0,327 [✓]	0,226

fining requirements to contractors and lessees with regard to industrial and fire safety, occupational health and safety, and the environment.

In 2008, the Company adopted a standard regarding provision of employees with personal protective equipment (PPE), based on the experience of Company's operations in various regions, and taking into account employees suggestions.

sponse (see the 2006 Sustainability Report for more details on the system).

In 2008, 283 exercises and trainings (compared to 114 in 2007) were held in the Company in order to improve preparedness for accidents, fires and oil spills, and to develop practical skills of emergency response. Almost 23 thousand employees were involved in these events. In 2008, RN-Yuganskneftegas, RN-Severnaya



Neft and Tomskneft, in accordance with their accidental spill elimination plans, created response teams and early warning systems.

In 2008, there were six accidents at Rosneft industrial facilities.

ACCIDENTS AT ROSNEFT FACILITIES

	2006	2007	2008
Total number of accidents	0	1	6
incl. with environmental consequences	0	1	0

Key HSE Performance Indicators

KEY HSE PERFORMANCE INDICATORS

	2006	2007	2008
Total pollutant emissions into the air, kt	1060	698	897
Associated petroleum gas utilization rate, %	59	60,3 [✓]	62,9
Total wastewater discharge to surface water bodies, mscm	7,09	6,82	113,3
Number of pipeline ruptures	3170	4110	14 293
OHS and industrial safety expenses, USD million	27	72,9	78,9
Environmental expenses, USD million	74	87,5 [✓]	299,7

Emergencies

During the reporting period, two emergencies associated with the Company operations took place (one of technogenic and one of natural origin).

In January 2008 in Purpe settlement of Yamalo-Nenets Autonomous Area a tank car containing about 60 tons of gas condensate was derailed and damaged; condensate was spilled. As a result, an emergency threatening the lives of personnel occurred.

The accident was promptly eliminated: the site was cordoned off and the personnel was evacuated, remaining condensate was pumped from the damaged car, and the area was cleaned up. The cause of the accident was human factor: incorrect execution of shunting operations.

In July 2008, after a heavy rain, a section of a channel was disrupted within the Tuapse Refinery industrial site. As a result, some premises were flooded, including several industrial buildings, central plant laboratory, health post, and amenity rooms.

Refinery operations were suspended for one day to eliminate the consequences of the accident. The accident was a result of insufficient preparedness of the refinery infrastructure for complicated weather conditions. Based on of the accident analysis, measures to improve the reliability of operations under unfavorable weather conditions were elaborated.



Training at Belokamenka floating terminal

In 2008, an emergency response training was conducted at Belokamenka FSO (Floating Storage and Offloading) vessel. For the fourth year in a row Rosneft have been providing a base and all necessary support for this annual exercise.

The exercise scenario involved a number of accidents and emergencies, including a hole in the hull, petroleum product spill, man overboard, explosion and fire onboard, and a threat of a terrorist attack.

Permanently anchored in the Kola Bay since February 2004, Belokamenka serves as an oil transshipment terminal for more than four years. The capacity of the oil tanks is about 408 thousand m³.

«We must be sure that the terminal handling our oil is prepared for emergency response,» says Mikhail Stavsky, Rosneft Vice President. «The main priority is protecting the environmental safety of the region».

While the crew fights fire onboards, several tugs tow away the tanker that «collided» with Belokamenka. Other vessels create a water curtain between the tanker and the terminal. Two smaller fireboats discharge water to cool down the terminal boards. Helicopter arrives and rescues man overboard. The «fire» has been extinguished, two crew members «burned and injured» during the «accident» have been evacuated to shore, the «oil spill» and its consequences have been successfully eliminated.

About 300 individuals participated in the exercise, which provided an opportunity for a number of Russian agencies, including the Ministry of Internal Affairs, Ministry of Emergencies, and Ministry of Transport, to practice interaction between them.





SECTION 6

SOCIETY

■ Support and Development of Social Infrastructure of the Regions of Operations

■ Supporting Indigenous Communities of the North

■ Charitable and Sponsorship Activities

■ Key Society Performance Indicators

Rosneft is interested in socio-economic development of its regions of operations and the country as a whole, believing that a high level of their development is a key factor of a long-term sustainable development of the Company itself.



SECTION 6. SOCIETY

Rosneft is interested in socio-economic development of its regions of operations and the country as a whole, believing that a high level of their development is a key factor of a long-term sustainable development of the Company itself. The Company is one of the largest national taxpayers, and the largest single taxpayer in some Russian regions.

In its regions of operations, the Company seeks to achieve and maintain a status of the best employer and the best partner both in its business operations and in partnership with state, non-governmental, and educational institutions.

Rosneft social activities in its regions of operations involve two main areas:

- support and development of social infrastructure of the regions of operations within the framework of socio-economic partnership agreements with regional governments;
- charitable and sponsorship activities.

In 2008, Rosneft spent about RUB 3 billion on both the development of social infrastructure within the framework of regional socio-economic partnership agreements and charitable activities.





SECTION 6. SOCIETY



A modern stadium was opened in Achinsk

A modern stadium called Neftianik [The Oil Industry Worker] was opened in the Privokzalny District of Achinsk on September 5, 2008. The overall area of the stadium is 12 thousand m². Rosneft became the largest investor of the RUB 18 million project. All construction works were completed within three months.

The stadium has a mini football field, a basketball and a volleyball courts, a long jump court, and small-scale facilities for general fitness exercises. There are also stands accommodating 540 spectators. Many residents of the Privokzalny District are employees of the Achinsk Refinery, a Rosneft subsidiary.

RN-Purneftegas and RN-Nakhodkanefteproduct received awards of the 7th All-Russian Contest «Russian Organization with a High Social Performance». RN-Purneftegas was declared a winner in the category Implementation of Social Programs, while RN-Nakhodkanefteproduct was ranked third in the Charity category. The contest has been conducted under the auspices of the Ministry of Economic Development in order to facilitate the dissemination of experience of social activities among Russian companies and organizations.

Support and Development of Social Infrastructure of the Regions of Operations

Rosneft contributes to maintenance and development of social infrastructure of its regions of operations on the basis of socio-economic partnership agreements with regional governments. In turn, these agreements are elaborated on the basis of a Rosneft corporate standard – Procedure of Preparing and Concluding Cooperation Agreements with Regional Governments. The agreements define mutual commitments of a region and the Company and, in particular, provide for supplying the region with oil and gas at competitive prices, development of the infrastructure of towns and settlements, construction of roads, schools, health care institutions, cultural and sports facilities, and financing other social projects in the Company regions of operations.

At the end of 2008, the Company had cooperation agreements with the governments of Khanty-Mansi and Yamalo-Nenets Autonomous Areas, Komi, Adygea, Kabardino-Balkaria, and Udmurtia Republics, and Kamchatka, Primoriye, Za-

baikaliye, Krasnoyarsk, Krasnodar, Stavropol, Sakhalin, Magadan, Irkutsk, Orel, Lipetsk, Novosibirsk and Samara Regions. In some areas of operations, additional requirements to the Company social policy are defined by terms and conditions of license agreements on subsurface resource use.

In 2008, the Company spending on financing the infrastructure of its regions of operations within the framework of socio-economic partnership agreements with regional governments was RUB 2.3 billion, or RUB 576 million less than in 2007. This decrease was mainly a result of the economic downturn in the second half of 2008.

A substantial share of the total funding for social projects provided by the Company is spent on the projects implemented in such regions as Khanty-Mansi Autonomous Area, Yamalo-Nenets Autonomous Area, Sakhalin Region, Krasnoyarsk Region, Krasnodar Region etc.

SPENDING WITHIN THE FRAMEWORK OF SOCIO-ECONOMIC PARTNERSHIP AGREEMENTS WITH REGIONAL GOVERNMENTS, RUB MILLION

Spending Category	
Pre-school institutions	18,6
Schools	120,8
Cultural facilities	542
Sports facilities	387,2
Health care institutions	44,1
Restoration of cultural heritage (churches, mosques etc.)	16,5
Small indigenous peoples of the North	111,8
Other	1059
Total	2300



SECTION 6. SOCIETY



Overall, in 2008 Rosneft participated in the financing of construction, repair, reconstruction and equipping of 18 pre-school facilities, 24 schools, 28 cultural facilities and 10 sports facilities, as well as 15 health care institutions and 9 temples.

The communities with a Rosneft subsidiary being the main employer are of particularly high

priority to the Company. In the town of Nefteyugansk (Khanty-Mansi Autonomous Area), the Company finances the construction of a park and leisure zone with an indoor swimming pool, landscaping activities, road surfacing, as well as the construction of sports grounds and children playgrounds. Also, an ethnic cultural center is being constructed in the community of Pyt-Yakh.



Supporting Indigenous Communities of the North



An important area of the Company social activities in its regions of operations is protecting livelihoods and lifestyle of indigenous minority peoples of the North.

The Company bases its approach toward indigenous peoples on the following principles:

- the need for maintaining and developing favorable socio-economic conditions for life and activities of indigenous minority peoples of the North;
- mutually beneficial cooperation between the Company and indigenous family communities;

- preservation and development of traditional livelihoods, crafts, and modes of life;
- respect for national traditions and preservation of unique identities of indigenous peoples.

In 2008, Rosneft spent almost RUB 112 million on financial assistance to associations, non-commercial organizations and family communities of indigenous minority peoples of the North.

Among the activities aimed at supporting indigenous minority peoples, the largest single project financed in 2008 was providing assistance to the community of Kharampur village – the total amount of funding was RUB 38 million.

SPENDING ON ASSISTANCE TO INDIGENOUS MINORITY PEOPLES OF THE NORTH BY CATEGORY, RUB MILLION

Assistance category	2006	2007	2008
Housing construction	16,5	4,4	4,29
Construction or repair of social facilities	41,31	69,72	36,17
Construction or repair of infrastructure	24,27	2,5	18,76
Providing inventory and equipment	39,24	44,75	40,34
Preservation of traditional culture, health improvement programs	11,33	17,1	15,32
Total	132,67	138,47	114,89



SECTION 6. SOCIETY



Rosneft cooperation with small indigenous peoples of the North

There are 82 families (317 individuals) representing indigenous minority peoples of the North among those residing within the area of operations of RN-Yuganskneftegas. The company annually concludes agreements with these families on the use of their lands of residence for production operations. The residents themselves decide how to use the funds due to them according to the agreements, while the Company undertakes to purchase and deliver the goods and equipment requested by the indigenous residents.

In 2008, RN-Yuganskneftegas spent RUB 28 million on providing assistance to indigenous communities; in particular, the funds were spent on providing fuel and lubricants, snowmobiles, outboard motors, and chainsaws.

Representatives of a number of indigenous minority peoples, including the Enevks, the Selkups, and the Kets, reside in Turukhansk District of Krasnoyarsk Region, where Vankorneft, an oil production subsidiary of Rosneft, carries out its operations. The company interacts with the local residents on the basis of the Turukhansky District Social Infrastructure Development

(Continued on pg. 80)



Program till 2010, which is a part of the partnership agreement of Rosneft with the government of Krasnoyarsk Region.

In 2008 within the framework of the Infrastructure Development Program, Rosneft spent more than RUB 8 million for the design and reconstruction of an orphanage building in the village of Bor; RUB 5 million for the design and reconstruction of a building for a sports center with a swimming pool in the village of Turukhansk; and RUB 1 million for a local history, culture and nature museum in the same village.

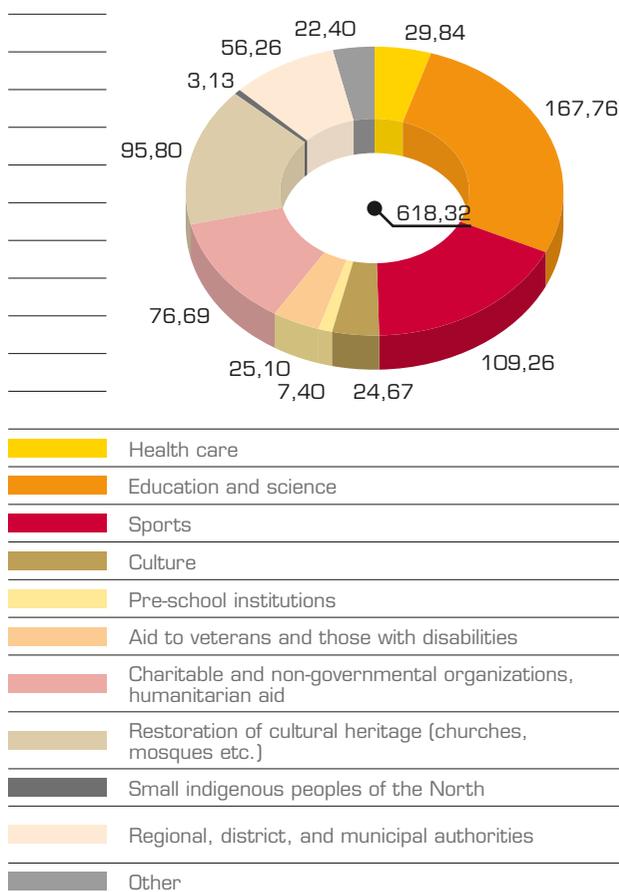
Charitable and Sponsorship activities

Charitable activities are a key component of the Rosneft social policy. The Company charitable activities are based on the corporate Regulation on Providing Charitable, Financial, and Sponsor Aid and corporate criteria for providing charitable funding.

The overall amount of charity spending is defined within the framework of a Company annual business plan. Decisions on providing charitable funding to particular recipients are made either by the Rosneft Management Board or by authorized bodies of Company subsidiaries (management boards, supervisory boards etc.) on the basis of the approved budget. Providing funding to a for-profit organization cannot be considered a charitable donation.

In 2008, Rosneft spent on charity RUB 618 million, or 28% less than in 2007 (RUB 860 million). Decrease in the charity spending was a result of the general reduction in Company investments caused by the economic downturn and completion of a number of large charitable projects in 2007.

ROSNEFT CHARITABLE SPENDING IN 2008 BY CATEGORY, RUB MILLION.



Key society performance indicators

KEY SOCIETY PERFORMANCE INDICATORS

	2006	2007	2008
Tax payments to budgets of all levels, including export tax, USD million (USD GAAP)	18 670	28 828	38 720
Dividends paid, including minority dividends paid by subsidiaries, USD million (USD GAAP)	499	536	538
Cost of social programs, including social investments and charity in the regions of operations, USD million (RAS)	279,1	557,2	484,9.
including expenses under regional cooperation agreements, USD million (RAS)	45,8	112,5	92,5
including charity, USD million (RAS)	10,6	33,6	24,9

Criteria for providing charitable funding by the Company

Criteria for providing charitable aid to Company employees and their family members:

- applicant level of income;
- applicant family composition;
- period of applicant service with the Company and his or her professional achievements;
- reason for applying for charitable aid (disease, natural disaster etc.).

Criteria for providing charitable aid to the Company regions of operations:

- the existence of a cooperation agreement with the respective region, mutual obligations of the parties under the agreement;
- the existence of a mutually agreed program for the use of charitable funds;
- availability of reporting materials on the proper use of charitable funds.

Criteria for providing charitable aid to organization, institutions, and foundations for implementing particular projects:

- social significance of the project proposed with Company priorities taken into account;
- the existence of a charity donation contract with a project budget approved by the Company;
- availability of reporting materials on the proper use of charitable funds.



SECTION 7

EMPLOYEES

■ Creating Conditions for Productive Work

■ Personnel Recruitment and Motivation

■ Personnel Development and Training

■ Key HR performance indicators



An important Rosneft objective in the field of HR management is to ensure the balance between achieving corporate goals and meeting employees personal needs.



SECTION 7. EMPLOYEES

An important Rosneft objective in the field of HR management is to ensure the balance between achieving corporate goals and meeting employees personal needs.

The main areas of the Company HR activities include:

- creating conditions for productive work;
- recruitment and motivation of personnel;
- development and training of personnel.

Such important topics as approaches towards improving occupational health and safety and building corporate culture are addressed in detail in Health, Safety and Environment and Corporate Governance sections of this Report respectively.

As of December 31, 2008, the Company together with its subsidiaries, as consolidated according to the RAS reporting boundaries, employed 170 872 people. The number of personnel employed by the companies that were included in the centralized business planning (CBP) boundary was 134 610 at the end of 2008, with the average full-time employees number in 2008 being 114 288.

Like previous years, the largest share of personnel (25.9%) was employed in oil production. However, this value, similarly to the percentages of those employed in marketing (18.7%) and refining (16.4%) decreased as a result of transferring some employees to newly created service companies. 23.9% of the total Company personnel were employed by specialized service companies, 11.6% – in other services, 2.5% – in research divisions and other subsidiaries. 1% of the personnel works at the Company headquarters. The staff turnover in the reporting period was 10.6%. In 2008, he average age of Company employees was 41; 12% of the employees held managerial positions.

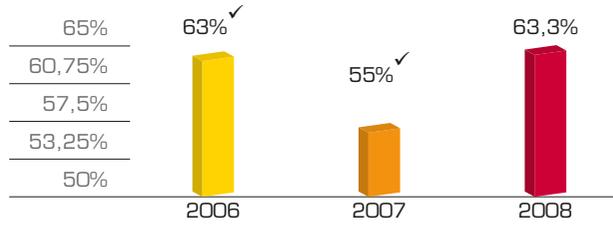
Rosneft carries out a planned optimization of its headcount, viewing it as an activity aimed at integrating new assets and ensuring continuous improvement of the efficiency of operations. The Company generally relies on «soft» optimization methods, which allow to avoid direct layoffs. The main approach used is voluntary planned retirement with appropriate retirement benefits and corporate pension coverage. Other optimization methods include spinning off some non-core assets and cutting certain positions, including managerial ones, in excessively staffed divisions.

Creating Conditions for Productive Work

Rosneft focuses its activities aimed at creating conditions for productive work on the following areas:

- engagement with labor collectives;
- improvement of working conditions;
- promotion of a healthy lifestyle;
- pension coverage;
- housing program.

SHARE OF LABOR UNION MEMBERS AMONG EMPLOYEES





SECTION 7. EMPLOYEES

Engagement with Labor Collectives

Rosneft actively cooperates with labor unions, which are active in most Company subsidiaries and represent more than half of employees. The main areas of cooperation include ensuring safe and comfortable working conditions and a decent salary level, providing social benefits to employees, elaborating and concluding collective agreements etc.

Most Company subsidiaries have collective agreements between employees and management, which establish mutual obligations of the parties with regard to ensuring stable and reliable operations, as well as maintaining conditions for safe and effective work of personnel. Collective agreements also define a list of social benefits and payments available to employees and approaches toward distributing them. At the end of 2008, 83.7% of the total Company personnel were covered by collective agreements.

(For more details on collective agreements and activities of labor union organizations at the Company enterprises see Social Partnership section of the 2006 Sustainable Development Report.)

Improvement of Working Conditions

The Company pays particular attention to ensuring optimal work and leisure conditions of its employees, and reducing staff illness and injury rates.

In 2008, the Company spent RUB 5 434 million on the improvement of the work-related social infrastructure, including, in particular, construction and renovation of shift camps, construction and renovation of other social and amenity facilities etc.

The condition of shift camps and their development are of particular importance to the Company, which has 27 thousand employees involved in rotational work arrangements (in two shifts). In 2008, the Company operated 62 shift camps.





SECTION 7. EMPLOYEES

In 2008, the Company initiated a targeted program aimed at bringing its rotational camps in line with the respective corporate standard. During the year, the Company spent RUB 544.9 million on the program; it is expected that the total cost of the program for the period 2009–2020 will amount to RUB 15.3 billion. In 2009, Rosneft plans to invest RUB 5 billion in the improvement of working conditions and work-related social infrastructure.

Overall, renovation activities were carried out at 63 social or amenity facilities.

Promotion of a Healthy Lifestyle

Rosneft promotes and supports a healthy lifestyle among its employees. The Company implements a system of measures to protect the health and improve professional longevity of its employees; gives priority to disease prevention as a means of health



In 2008, a shift camp for 1 220 people was completed at the Vankorskoye field and the construction of four more new camps has been continued. Also, a hotel with a cafe was completed at the Igarka Airport, from where workers fly to Vankorskoye, and construction work began on a hostel-type waiting building for air passengers who may spend significant time awaiting transit.

Major renovation of six hostels for shift teams was carried out (Tomskneft, RN-Purneftegas), and a hostel for young professionals was constructed (RN-Yuganskneftegas).

protection; seeks to introduce innovative health care and rehabilitation methods, and to improve employee motivation for a healthy lifestyle.

The year 2008 saw a decrease in overall illness incidence rate and injury-related lost day rate. Company efforts aimed at ensuring good working conditions, improving occupational health and safety, as well as promoting sports and a healthy lifestyle all contributed to this result (for more details see Health, Safety and Accident Prevention section). Difficult working conditions in the past resulted in the onset of occupational diseases among veterans of the industry;



LOST DAYS RATE AND OCCUPATIONAL DISEASES

	2006	2007	2008
Lost days rate (days of absence from work per 200 thousand hours)	3,35	5,59	3,56
Occupational diseases (first diagnosed)	0	7	44

these diseases are often diagnosed much later during medical examinations.

The Company has a health program in place, the main objective of which is to reduce overall illness rate by 30% or to 43 cases per 100 employees by 2012.

The program includes the following components:

- providing medical insurance to employees under a voluntary medical insurance (VMI) arrangements;
- financial coverage of additional health care services;
- recreation services combined with health care;
- reimbursement of membership fees to fitness groups and sports clubs;
- compulsory medical checkups, immunoprophylaxis of employees;
- promotion and facilitation of a healthy lifestyle.

In 2008, the Company spent on the program RUB

978 million. The overall planned budget of the program for 2009-2013 (with new assets included) amounts to more than RUB 7 billion.

In September 2008, RN-Zdorovye, a new Rosneft subsidiary, was created. The main objective of the new company was to optimize the management of Rosneft health care and other social facilities in order to improve health services within the Company. A total of 278 facilities are transferred to the new subsidiary.

Development of sports programs

Supporting sports and health improvement programs for employees is an important component of the corporate health program.

The Company finances:

- rentals of swimming pools and sports halls for team sports;
- reimbursement of membership fees to fitness groups and sports clubs;
- corporate competitions and sports events.

In 2008, more than 90 000 Rosneft employees took advantage of the collective voluntary medical insurance (VMI). The respective Company expenses amounted to RUB 394.5 billion.

At the moment, the collective VMI program includes the full scope of ambulatory services, general and specialized dentistry, scheduled and emergency hospitalization, as well as a range of convalescent services. It is expected that by 2012 VMI fees per employee will grow by 1.3 times.



SECTION 7. EMPLOYEES



The Company pays significant attention to promoting regular exercises among the employees. More than 1000 employees of RN-Purneftegas and RN-Severnaya Neft attend swimming pools.

The Company also supports training of individual athletes. Among its employees there are seven Masters of Sports of International Class and 23 Masters of Sports, including champions of Russia, Europe and the World, as well as award-winners of the respective championships. In 2008, the Company spent RUB 6 million on supporting achievement-oriented sports. In November 2008, Yuri Sh-

tertser and Ivan Shchekotov, employees of Rosneft-Altainefteprodukt, became award-winners of the 16th Veterans World Kettlebell Lifting Championship.

Rosneft annual, multi-stage Amateur Sports Festival ('Spartakiada') is an important corporate event, which was held for the fourth time in 2008. The Spartakiada includes competitions in eight summer sports (floorball or five-a-side football, basketball, volleyball, table tennis, track-and-field, kettlebell lifting, chess and tug-of-war). The number of Spartakiada participants has grown each year.

RN-Yuganskneftegas regularly organizes corporate Health Days between November and April, which include, in particular, ski races with more than 2000 participants. More than 30% of the company employees participate in three Spartakiadas (amateur sport festivals).



SECTION 7. EMPLOYEES



The Fourth Rosneft Spartakiada

The finals of the Fourth Rosneft Spartakiada were held in Sochi in September 2008. More than 500 athletes representing 14 teams of Rosneft subsidiaries (winners and runners-up from the regional stages) took part in the event.

In 2008, more than 15 thousand of Rosneft employees participated in qualifying rounds held at 66 subsidiaries. Then regional competitions were held in five Russian cities – Khabarovsk, Nefteyugansk, Angarsk, Samara, and Krasnodar – with more than 1600 athletes grouped in 50 teams striving to make it to the finals. For comparison, only 380 athletes representing 24 teams participated in regional competitions of the First Rosneft Spartakiada.

It was Rosneft-Kubanefteprodukt that became the 2008 Spartakiada winner, thus confirming its status of «the most sporting subsidiary» (the company also won the 2006 Spartakiada). Rosneft-Khabardino-Balkarskaya Toplivnaya Kompaniya, the 2007 winner, won the second prize, while Rosneft-Smolensknefteproduct took the third place.

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SECTION 7. EMPLOYEES

Most Spartakiada sports are team-oriented, including men and women running relays, tug-of-war, as well as basketball, volleyball, and floorball tournaments. The event also includes individual sports: chess, table tennis, and kettlebell lifting.

At the Spartakiada finals, a floorball tournament among Rosneft managers was held. Participating in the tournament were three teams representing three sectors of the Company business – oil production, refining, and marketing – and comprised of top managers of respective subsidiaries, and a team representing senior management of the Company headquarters. The headquarters team confidently won the tournament.

The Company management attaches great significance to Spartakiada: each year trophies are presented to the winners by Sergey Bogdanchikov, President of Rosneft. It is planned that 20 thousand employees will take part in the 2009 Spartakiada, and regional competitions will be held in six cities.

Housing program

Rosneft implements a comprehensive program aimed at providing housing for its employees. The program includes the following means of achieving this objective:

- a corporate mortgage arrangements;
- housing construction;
- participation in the Federal Housing Program in the Island of Sakhalin;
- providing corporate apartments to employees.

In 2008, Rosneft provided housing to more than 1000 employees families with the total area of

these apartments amounting to 64 thousand m². During the year, the Company spent RUB 1.86 billion on its housing programs.

It is planned to spend more than RUB 12 billion on the comprehensive housing program in 2009-2013.

The Company has a corporate mortgage arrangements for its employees, which involves an interest-free loan worth 25-35% of the apartment price and a long-term low-interest loan for the remainder of the price provided by a partner bank. The repayment period for the latter loan can be up to 17 years and the annual interest rate is 8-10% (in rubles).

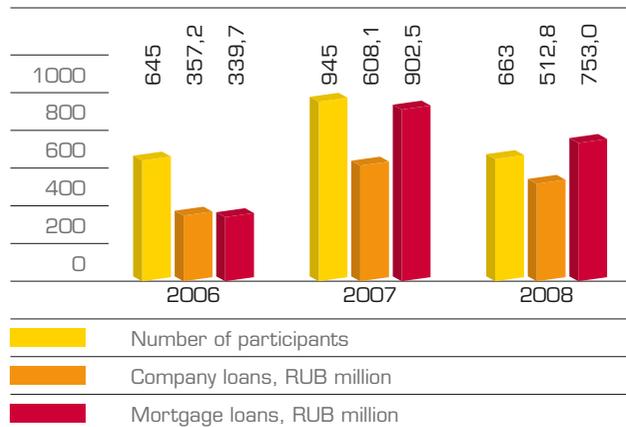
PROVIDING HOUSING TO ROSNEFT EMPLOYEES

	2006	2007	2008
Total families provided with housing	827	1164	1010
including:			
through mortgage arrangements, families	645	945	663
through other programs, families	182	219	347
Company spending, RUB billion	1,0	1,8	1,9

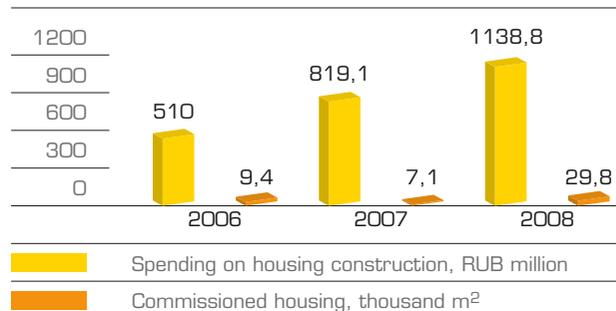


SECTION 7. EMPLOYEES

ROSNEFT MORTGAGE PROGRAM



HOUSING CONSTRUCTION



In 2008, more than 650 Company employees improved their housing conditions through the mortgage arrangements. (The terms and conditions of the corporate mortgage arrangements are described in detail in the 2006 Report.)

The Russian Federation is currently implementing a national project «Affordable and Comfortable Housing for Russian Citizens». Rosneft participates in the project by financing residential construction in the locations where housing is in short supply and expensive – in Grozny and Gubkinsky.

Housing constructed by the Company is offered to employees on a mortgage basis, or partly paid for by the Company itself.

In 2008, Rosneft was involved in housing construction mainly in Grozny and Gubkinsky, where 157 people and 102 people respectively were provided with apartments. During the year, the Company spent RUB 541 million and RUB 450 million on the completion of residential buildings in these cities.

In Sakhalin Region, Rosneft has been actively participating in the implementation of the Federal Housing Program, aimed at the resettlement of residents from dilapidated and hazardous housing to new apartments. Since 2004, the Company has

been involved in a Program component which provides for construction of residential housing with the total area of 36.1 thousand m² in the city of Okha and the settlement of Nogliki in 2004-2009. The component with the total cost of more than RUB 1.4 billion is financed by the Company on a parity basis with the regional and municipal authorities; the overall Company contribution will amount to RUB 706 million. Employees of RN-Sakhalinneftegas are expected to receive 322 apartments, or 65% of the housing built.

In 2008, Rosneft spent RUB 148 million; 43 employees of RN-Sakhalinneftegas were provided with apartments in Okha and Nogliki.

In 2009, the Company plans to spend more than RUB 537 million on its comprehensive housing program and provide housing to 167 employees families.

Pension Coverage

Rosneft maintains a corporate pension arrangements for its employees, which is based on the corporate standard On Occupational Pension Coverage of Employees of Rosneft and its Subsidiaries. It is expected that by 2011 the full pension of a retired employee may reach up to 40% of his or her pre-retirement salary.



SECTION 7. EMPLOYEES



Pension coverage of Rosneft employees:

Pension coverage of Rosneft employees includes the following pension types:

- state retirement pension paid to all employees in accordance with the Russian legislation;
- corporate non-state) pension paid in addition to the state pension and funded by Company contributions to the Neftegarant Non-State Pension Fund, which is instrumental in providing non-state pension coverage of Rosneft employees. Most Company subsidiaries have contracts with the Fund, which collectively encompass a total of more than 100 thousand employees. In 2008, total contributions of Rosneft and its subsidiaries to the Neftegarant Fund amounted to RUB 2.3 billion. 22 760 individuals (9 343 pensioners and 13 417 veterans) were paid non-state corporate pensions in 2008, with total pension payments during the year amounting to RUB 367.6 million.
- personal non-state pension paid in addition to the two pension types listed above and funded by employee voluntary contributions to the Neftegarant Fund. Employees participating in this arrangements contribute a part of their salaries to the personal pension accounts with the Fund. By the end of 2008, more than 18 000 employees had made personal pension agreements with the fund for a total of more than RUB 130 million.



Personnel Recruitment and Motivation

Personnel Recruitment

Recruitment of new employees by Rosneft is based on the existing corporate standards that require receiving necessary approvals, assessment of personal and professional qualities according to corporate competencies, and other necessary selection and approval procedures. The list of open vacancies is available on the corporate website together with candidate application forms.

Personnel Motivation System

Rosneft strives to create a remuneration system attractive to its employees and motivating them for continuous improvement of their work performance.

Rosneft employee motivation system includes the following components:

- providing competitive wages (for certain employee categories – based on performance indicators);
- creation of a transparent reward system based on key performance indicators;
- formation of a competitive compensation package, allowing to attract highly-qualified specialists;
- regular monitoring of financial aspects of the labor market. Raising wages in accordance with the trends in labor markets and Company capabilities;
- creation of a career planning system for employees;
- implementation of training programs;
- introduction of a continuous cycle of employee work planning and performance evaluation: defining objectives – accomplishment – evaluation and feedback – identifying areas for improvement – defining objectives for the next period.

In determining basic wage rates, the Company relies on the monitoring data of the national labor markets, as well as analysis of inflation in the economy and purchasing power of the national currency. The Company carries out regular monitoring and analysis of salary levels in all its regions of operations and participates in numerous sectoral and regional remuneration and rewards surveys, carried out by Ernst & Young, Mercer, Hay Group etc.

As a rule, salaries paid by the Company subsidiaries exceed average salaries in the respective regions of operations. In 2008, the average monthly salary paid by the Company was RUB 34 998, or by 9% more than in 2007. However, this figure does not reflect the actual increase in the salary level, since most subsidiaries underwent major structural changes during the reporting period, which in turn resulted in changes in the remuneration structure. Real increase in salary level at the Company subsidiaries in 2008 varied between 7 and 15%.

In 2008, Rosneft continued work on the unification of positions and remuneration systems across its subsidiaries (grading process). A pilot project on the introduction of a grading system was implemented at RN-Yuganskneftegas; in the future the approach will be replicated at other Company subsidiaries.

In 2008, key performance indicators (KPI) were developed for managers of the Company headquarters and of a number of subsidiaries.

The Company also developed and approved a new corporate standard – On the Procedure of Promotion and Increase in Salary of Company Employees. According to the standard, no promotion or increase in salary can be made without



SECTION 7. EMPLOYEES

TABLE. COMPARISON OF SALARIES IN ROSNEFT SUBSIDIARIES AND SIGNIFICANT REGIONS OF OPERATIONS IN 2008, RUB.

Region of operations	Subsidiary	Average salary paid by the subsidiary	Average salary in the region (statistical data)
Altai Region	ОАО Rosneft – Altainefteprodukt	12 977	9665
Archangelsk Region	ООО RN – Archangelsknefteprodukt	20 296	17 973
Belgorod Region	ОАО Belgorodnefteprodukt	11 855	13 604
Volgograd Region	ЗАО Energoservis	13 940	12 389
Krasnoyarsk Region	ОАО Achinsk Refinery	35 640	19 166
Karachay-Cherkess Republic	ОАО Rosneft – Karachayevo-Cherkessknefteprodukt	8818	9409
Komi Republic	ООО RN – Severnaya Neft	66 448	20 638
Krasnodar Region	ООО RN – Krasnodarneftegas	17 650	13 339
Krasnodar Region	ООО RN – Tuapse Refinery	26 365	13 339
Krasnoyarsk Region	ЗАО Vankorneft	77 804	19 166
Lipetsk Region	ЗАО Lipetsknefteprodukt	11 966	13 617
Moscow City	ОАО Rosneft – MZ Nefteprodukt	30 720	30 109
Primorsky Region	ООО RN – Nakhodkanefteprodukt	28 232	16 867
Samara Region	ОАО Samaraneftegas	33 499	14 497
Sakhalin Region	ООО Sakhalinmorneftegas	46 400	30 416
Khabarovsk Region	ООО RN – Vostoknefteprodukt	26 991	19 951
Khanty-Mansi Autonomous Area	ООО RN – Yuganskneftegas	56 874	37 245
Chechen Republic	ОАО Grozneftegas	16 987	12 273
Yamalo-Nenets Autonomous Area	ООО RN Purneftegas	51 327	43 620

considering the results of evaluation carried out in accordance with the corporate standard On Evaluation.

The Company provides to its employees a package of social payments and benefits going beyond what is required by the Russian labor legislation.

The package includes:

- benefits provided within the framework of corporate health protection programs: voluntary medical coverage, as well as full or partial coverage of recreation, health improvement, and associated travel expenses for employees and their children;



SECTION 7. EMPLOYEES

- one-time monetary allowance in difficult situations to help cover extraordinary costs;
- one-time retirement allowance.

The exact scope and size of benefits may differ depending on the economic position of the respective subsidiary and the terms of collective agreements. The total amount of benefits paid by the Company in 2008 was RUB 3 767 million.

One of special benefits offered by the Company is interest-free education loan, aimed to help employees and their children get higher education in Russian universities that have state accreditation. In 2008, the Company granted 174 education loans totaling RUB 7 million.

Among motivational events held by the company in 2008, the annual contest Best in Profession – 2008 is worth special mentioning.

Promotion and Evaluation Systems

Decisions regarding promotion or rotation of Rosneft employees, changes in their salary levels, inclusion in the Company Candidates Pool, sending for training or recruitment are made with the results of employee evaluation taken into account, and on the basis of the corporate standard On the Procedure of Promotion and Increase in Salary of Company Employees.

The Company uses modern methods of evaluation and development of business skills, which include competency-based assessment centers (where business games, interviews and various tests are used), SHL testing etc.

In 2008, 783 Rosneft employees recommended for the Candidates Pools were tested in the assessment centers and received personalized recommendations for further development.

4 784 more employees underwent SHL testing within the framework of various corporate procedures.

In addition, an annual business game for the best young professionals of the Company was held. 256 employees participated in the game which included both evaluation and training aspects.

In 2008, the Company completed a pilot project on the assessment of technical competencies for the Corporate Scientific Research Complex (six research and design institutes) and oil production subsidiaries (ten companies). As a result of the project, a system of technical competencies and evaluation instruments for the personnel involved in core business processes of the upstream sector was developed.

An integrated IT-solution for the assessment and improvement of the technical training level was deployed. The development of a system of technical competencies and evaluation instruments for the Chief Geologist Service and the Chief Engineer Service has started.

67 Rosneft subsidiaries introduced their corporate standards On Employee Evaluation. At four Company subsidiaries operating in Samara Region audits of preparatory procedures for the evaluation were conducted. In August and September 2008, the evaluation of 911 employees (almost 56% of the total number of personnel subject to the evaluation) was carried out at Samaraneftegaz. At the Company headquarters, 191 employees received an evaluation (compared to 56 in 2007).

The results were the following: 60% of those evaluated were found «to meet the requirements for the position», while 40% were found «to exceed the requirements».

Employee evaluations at 67 Rosneft subsidiaries are planned for 2009. It is expected that more than 16 thousand employees, subject to the evaluation in 2009 in accordance with the RF Labor Code and the approved evaluation schedule, will undergo the procedure.



SECTION 7. EMPLOYEES



Best in Profession – 2008

On August 26–27, 2008, a Company-wide contest of professional mastery, Best in Profession – 2008, was held in Samara.

In 2008, participating in the contest were 211 Company employees representing 57 production, refining, and marketing subsidiaries operating in all seven federal districts of Russia. Competitions were held in 17 categories.

«The Company management attaches special significance to the contest, since it helps evaluate the professional level of Company specialists, outline new development priorities, disseminate best practices, strengthen corporate spirit, and increase prestige of the professions,» explained Sergey Karaganov, Rosneft Vice President.

The contest challenges were designed to test both theoretical knowledge and practical skills of the participants. Competitions were held at operational facilities. «Five production facilities, three processing facilities, and a filling station were brought in line with the best standards possible,» said Sergey Tsapa, Director of the Rosneft HSE Department and Chairman of the Counting Commission. «Necessary repairs were made, roads were graded and paved, premises were renovated, new equipment was purchased». The contest winners were presented with certificates for Chevrolet Niva cars. Second and third place winners received monetary prizes and honorary diplomas.



Candidates Pool

The Company Candidates Pool Program involves systematic activities aimed at identifying the best and most promising employees, providing appropriate training for them, and promoting them to the key executive positions.

The objectives of the Candidates Pool Program include:

- identification, retention and development of valuable employees having a high development potential;
- filling vacancies occurring at the Company using its own human resources;
- fulfilling the employees need for non-monetary incentives.

The Company Candidates Pool includes candidates for executive positions of the 1st, the 2nd, and the 3rd level (for more details on the structure of the Candidates Pool, see Rosneft Sustainability Reports for 2006 and 2007).

In 2007, the Company formed a pool of candidates for the 1st level executive positions and started building a pool of candidates for the 2nd level positions. In 2008, the pool of candidates for the 1st level positions was updated, and a pool of candidates for the 2nd level executive positions at the Company headquarters and the key subsidiaries was formed.

In 2007-2008, a total of 1764 specialists were recommended for the Candidates Pool; based on the assessment results, 1020 of them were included in the Pool. At the end of 2008, the 1st level pool included 241 employees, the 2nd level pool – 580 employees. In 2007-2008, 88 executives were rotated at the Company, including 54 members of the Candidates Pool.

It is planned to continue work on building the Company Candidates Pool in 2009.

Personnel Development and Training

Management of the Personnel Training System

A priority objective of Rosneft is the creation of a personnel training and development system aimed at the improvement of professional, managerial, and development skills of employees with the purpose of ensuring sustainable leadership and further growth of the Company capitalization.

Key principles of development and training of Rosneft personnel

- **Proactiveness** – development of employees knowledge and skills on the basis of the future needs stemming from the Company development strategy.

- **Continuity** – continuous upgrading of knowledge and skills and employee development using a variety of training methods.
- **Systematic approach** – personnel development is viewed as a system of actions closely associated with HR planning, remuneration system, performance management, and development of corporate culture.
- **Targeted and individualized approaches** – preparation of training courses and development programs in accordance with the needs of the respective target groups, elaboration of personal development plans for individual employees.
- **Corporate spirit** – training is based on the values and norms of corporate culture.



SECTION 7. EMPLOYEES

- **Efficiency** – control over relationship between resources used and the required quality of the training and development programs.
- **Quality** – high standards of trainers professionalism, methods of course preparation and delivery, training equipment, organizational support and practical orientation of training process; wide use of information technologies in employee training and development.

In 2008, Rosneft successfully completed corporate training plan. 84.5 thousand person-courses were conducted, and 70.3% of employees of the key subsidiaries received at least one training. The training types included:

- corporate managerial training – 2240 person-courses;
- corporate technical training – 6218 person-courses;
- compulsory and vocational training – 75 970 person-courses.

During the year, the Company spent on employee training RUB 469 million. The courses were delivered by both 43 Company training centers and external training providers selected on a tendering basis. In 2008, training of employees included in the Company Candidates Pool was conducted. 22 Pool members received training under the Corporate MBA program; 434 person-courses were conducted under various managerial training programs. The Corporate MBA training program was developed jointly by Bodo Graduate School of Business (Norway) and International School of Economics and Law of the Moscow State Institute of International Relations.

Three programs of additional professional training were implemented jointly with Gubkin Russian State University of Oil and Gas. These programs include:

- specialist in engineering supervision and control in well construction

- economics and management at the enterprises of oil and gas complex;
- oil and gas production.

A targeted training and internship program was organized for employees of Vankorneft. Within the framework of the program, 584 people received compulsory and vocational training, while 196 people received corporate technical and managerial training. Internships for 55 specialists were organized.

Within the framework of professional skill upgrading, a series of workshops and trainings for Company specialists was carried out. The training topics included: IFRS, management of land and property, human resource management, pension reform etc.

In 2008, the Company continued the implementation of so called «mirror training» program for specialists representing economic and operational divisions and subsidiaries. The Program has been designed in such a way as to provide economic specialists with basic knowledge of industry-specific technologies and operations, at the same time training technical specialists in the basics of economy and management. The program is implemented jointly with the Gubkin Russian State University of Oil and Gas. The Gubkin University also provides a base for additional professional training programs aimed at Company employees. In 2008, 56 people were trained under three such programs.

Rosneft pays significant attention to the development of its own infrastructure – reconstruction and development of training centers, creation of grounds for practical trainings and exercises. In 2008, new equipment was installed at training centers of RN-Purneftegas and Grozneft, training classrooms of RN-Severnaya Neft based at Usinsk Technical College, and a number of other training premises. In addition to traditional classroom training, the Company uses distance training. Distance training systems allows every Company employee who has a computer at his or her workplace to receive interactive training in real time.



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Creation of a research, training and design complex in Krasnoyarsk

A comprehensive cooperation agreement for 2008 – 2013 was signed between Rosneft, the Council of the Administration of Krasnoyarsk Region, the Federal Education Agency, and the Siberian Federal University (SFU). In particular, the agreement provides for the creation of a research, training and design complex in Eastern Siberia for training specialists in oil and gas sector.

According to the document, the complex will be deployed in two stages:

- 1st stage – construction of a training and laboratory building for the Oil and Gas Institute of the SFU. The building will be used for training university students and postgraduate students with a view to meeting Company needs in qualified specialists. (Completion date – August 2010);
- 2nd stage – construction of Rosneft training and design center, which will host, in particular, research laboratories and other facilities of the KrasnoyarskNIPIneft research and design institute, as well as training premises of the Company Regional Training Center. (Completion date – August 2011).

All organizational arrangements necessary for commencing the work were made in December, 2008.



«School-University-Company» Continuous Training System

The Company views selection and recruitment of highly qualified employees as one of its priorities. Preparation of Company future specialists starts outside its premises, at high schools and professional training institutions. Therefore the Company supports schools, universities, and vocational training centers in all its major regions of operations.

Since 2005, Rosneft develops the «School – University – Company» continuous training project. The project is aimed at attracting well-educated and skilled youth through a pre-university training system in maintained cooperation with specialized higher education institutions.

Selection and career orientation of promising young people begins at the high school level through the system of Rosneft Classes. School students are selected for the classes after completing the 9th grade. (For more details on the system of Rosneft Classes see Rosneft Sustainable Development Reports for 2006 and 2007).

In 2008, the Company supported 43 Rosneft Classes in 23 cities and 13 regions of operations, with a total number of students exceeding 1100, and spent RUB 51.5 million on the project. 366 students graduated from the classes in 2008, 22% of them – with honors. 98% of the graduates were admitted to universities; about 50% of them chose specialties related to the oil and gas sector. In 2008, new Rosneft Classes were opened in schools of Nalchik, Strezhevoy, Izhevsk, Krasnoyarsk, and Komsomolsk-on-Amur. In 2009, Company plans to open five more Rosneft Classes in Nakhodka, Igar'ka, Boguchany, Ig'ra, and Strezhevoy.

In 2008, the Company HR Department acquired and distributed 510 personal access cards for the School Club educational portal run by OOO KM-Obrazovaniye. The cards were used to reward stu-

dents of 10th grade Rosneft Classes who actively participated in school life, academic competitions, contests, scientific and practical conferences etc., and to provide them with access to additional educational resources. The resources available through the portal include electronic lessons, tutors, and trainings, as well as interactive encyclopedias and books.

Partnership with Universities

The Company has in place a system of partnership with universities, which is aimed at the accomplishment of the following objectives of the corporate HR policy:

- ensuring an inflow of high-qualified university graduates for filling positions at the Company subsidiaries;
- skill upgrading and retraining of Company specialists, using capacity and training infrastructure of the higher education sector.

Rosneft maintains its relationships with partner universities on the basis of partnership agreements, which provide for mutually beneficial cooperation. In 2008, the Company concluded partnership agreements with two federal-level universities, including the Higher School of Management at the Saint Petersburg State University and the Siberian Federal University. At present the Company has seven partner universities at the federal level and 21 partner universities at the regional level. **In the reporting year, the Company spent RUB 88.9 million within the framework of its partnership with universities.**

The Company organizes annual Rosneft Days and other career orientation events in its partner universities. In 2008, 25 Rosneft Days were held and attended by some 3800 high school and university students. Based on the results of these events, 3080 students were selected for practical training at the Company premises. About 900 university graduates who received a positive eval-



SECTION 7. EMPLOYEES

uation after practical training with the Company were recruited by Rosneft and its subsidiaries in the reporting period. In 2008, 235 graduates of Rosneft Classes graduated from universities. 30 of them continued their training under masters and postgraduate programs, and 39 graduates were recruited by Rosneft.

In 2008, the Company spent RUB 27.4 million on funding Rosneft base department at the International School of Economics and Law at the Moscow State Institute of International Relations – Global Energy Policy and Energy Security Department – and on its participation in the Board of Trustees of the Institute.



In accordance with the existing agreements, partner universities provide training, re-training and skills upgrading of Rosneft specialists. The Company, in turn, provides charitable aid to the universities and finances corporate stipends and personal grants paid to the best students and teachers respectively. In 2008, Rosneft financed 293 corporate stipends for the best students, with 55 of them funded by the Company headquarters. Rosneft corporate personal grants, worth RUB 100 thousand each, were provided to 15 teachers of the partner universities in the reporting year.

Rosneft provides charitable aid to the partner universities on the basis of the respective agreements. In 2008, The Company provided charitable funding totaling more than RUB 17 million to the Faculty of Geology of the Moscow State University and the Moscow Institute of Physics and Technology.

Work with Young Professionals

Working with young professionals is one of the priorities of Rosneft HR policy. As of January 1, 2009, 2 613 Rosneft employees had the status of

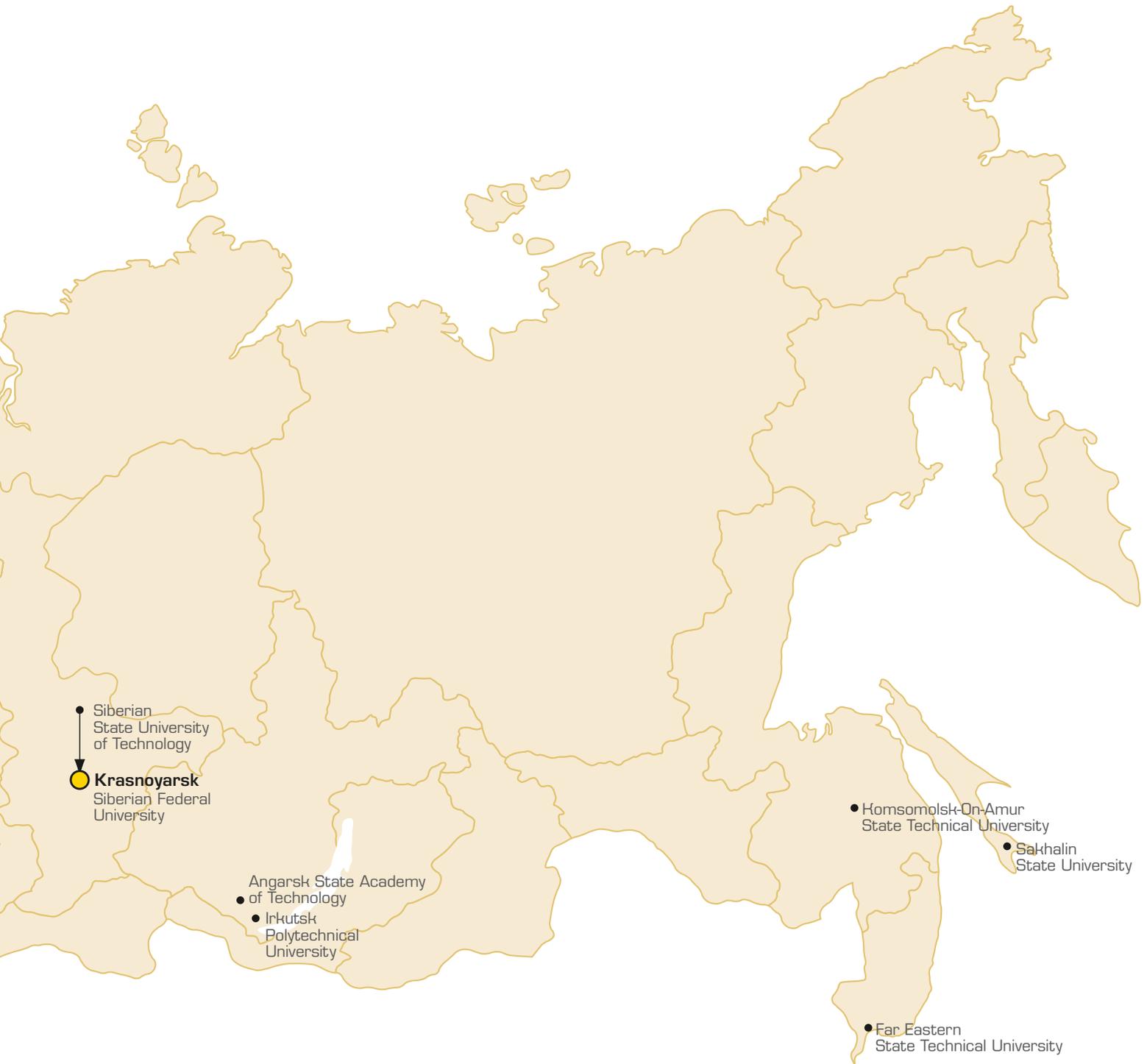


Rosneft Partner Universities





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young professional, with 800 of them recruited in 2008. During the year, the Company spent RUB **43.5 million** on its young professionals program.

The work with young professionals newly employed by the Company is carried out on in a systematic manner and is based a number of corporate standards, such as On Young Professionals, On Mentorship, On the Young Professionals Council, and On Science and Technology Conferences of Young Professionals.

The Company pays particular attention to fostering scientific and engineering creativity of young professionals. The number of young professionals participating in corporate Science and Technology Conferences (STC) has grown each year. In 2008, a three-stage arrangements of young professionals STCs was introduced. At the first stage, 458 young professionals representing 46 subsidiaries participated in regional conferenc-

es. Then 295 winners of regional conferences took part in the first Cluster Science and Technology Conference (CSTC), and 117 winners of the latter were selected for the final stage – the third Inter-Regional Science and Technology Conference (IRSTC). All CSTC and IRSTC winners were awarded valuable presents and monetary prizes. 33 best works selected at the IRSTC were recommended for practical implementation in Company operations.

Rosneft representatives traditionally participate in the annual contest of research and development projects, conducted by the RF Ministry of Industry and Fuel among young professionals of the fuel and energy sector. In 2008, 106 young professionals representing 41 Rosneft subsidiaries, with 25 of them recognized as winners.

In 2008, the Company further developed such HR policy instruments as mentorship and young



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professionals councils. In the first days of employment, each young professional is assigned a mentor who helps the new employee to adapt to the working environment and guides his or her professional development. At present, about 700 Rosneft employees serve as mentors of young professionals. In order to improve the effectiveness of corporate mentorship, the Company maintains a motivation and training program for mentors. As a monetary incentive, all

mentors receive mentorship bonuses in addition to their salaries.

The Company has 44 Young Professionals Councils actively working in its subsidiaries. The councils organize corporate Science and Technology Conferences and corporate image events at universities, as well as joint activities with students of Rosneft Classes and partner universities, and with veterans of labor.

Key HR performance indicators

KEY HR PERFORMANCE INDICATORS

	2006	2007	2008
Average full-time employees, thousand	74	106	114
Wages and social benefits provided to personnel, USD million (US GAAP)	851	2060	2651
Social payments and benefits to personnel, USD million (RAS)	38,7	83,5	151,5
Expenses on work-related social infrastructure, USD million (RAS)	58	155	218,6

Independent Assurance Report on the Sustainability Report 2008 of OJSC Oil Company Rosneft to the Management of OJSC Oil Company Rosneft

Engagement and responsibilities

At the request of OJSC Oil Company Rosneft (hereinafter Rosneft) we performed an assurance engagement on the «Sustainability Report 2008» of Rosneft (hereinafter the Report).

The objective of this assurance engagement is to obtain a limited level of assurance on the accuracy of assertions and data related to sustainability performance and coverage of respective material issues within the Report.

Our responsibility in performing our assurance activities is to the management of Rosneft only and was performed in accordance with procedures agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

The management of Rosneft is responsible for the preparation of the Report and the information therein. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances.

The choices made by the management, the scope of the Report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out in section «About the report» on pages 12 – 15 of the Report.

Limitations of our assurance engagement

The limitations of our assurance engagement were as follows:

- Any independent statements made by third parties within the text of the Report related to Rosneft's sustainability performance were not included in the scope of our assurance engagement;
- The compliance of the Report with the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting developed by the International Petroleum Industry Environmental Conservation Association and American Petroleum Institute (IPIECA/API) was not included in the scope of our assurance engagement;
- The compliance of the Rosneft's activities with the Social Charter of the Russian Business as issued by the Russian Union of Industrialists and Entrepreneurs (RUIE) was not included in the scope of our assurance engagement;
- The scope of our work was limited to procedures at the central office level and visits to three subsidiaries.

Criteria of the assurance statement

We assessed the Report against the G3 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (hereinafter the GRI G3 Guidelines) and the sustainability reporting principles of Rosneft. We believe that these criteria are appropriate given the purpose of our assurance engagement.

Scope of the assurance engagement

We conducted the assurance engagement in accordance with the first edition of the AA1000

Assurance Standard issued by the Institute of Social and Ethical Accountability in 2003¹, the International Standard for Assurance Engagements 3000 ('ISAE 3000') Assurance Engagements Other than Audits or Reviews of Historical Financial Information and the Code of Ethics, both issued by the International Federation of Accountants, the latter includes requirements in relation to our independence.

We have performed the procedures deemed necessary to provide a basis for our conclusions. Our principal procedures to obtain a limited level of assurance were the following:

- Interviews with representatives of Rosneft's management engaged in managing sustainability performance as well as in the respective reporting;
- Analysis of key documents related to Rosneft's sustainability performance and reporting;
- Analysis of Rosneft's stakeholder engagement activities via reviewing the minutes of stakeholder meetings conducted by Rosneft and participation in two stakeholder meetings;
- Benchmarking of the Report against sustainability reports of selected international and Russian peers of Rosneft;
- Review of a selection of external publications with respect to Rosneft's sustainability performance in 2008;
- Based on the procedures described above compilation of a list of material issues and analysis of their reflection in the Report;
- Review of human resources, environmental and health & safety data samples and processes to assess whether they have been collected, collated and reported appropriately at the central office level;

- Visits to three Rosneft subsidiaries: marketing and distribution company «RN-Tuapseneft-product» LLC, petroleum refining company «RN-Tuapsinsky NPZ» LLC, and oil and gas production operator services company «RN-Severnaya Neft» LLC, to gather evidence supporting the assertions made in the Report regarding Rosneft's sustainability performance;
- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report;
- Assessment of the sustainability reporting principles used by Rosneft;
- Assessment of existence in the Report of standard disclosures as required by GRI G3 Guidelines' Application Level A+, self-declared by Rosneft on page 138 in the Report.

Conclusions

On the basis of the procedures performed and in accordance with the criteria of the assurance engagement we provide the following conclusions on the Report.

Our conclusions should be read in conjunction with the objective and the limitations of the assurance engagement as described above.

Materiality: Has Rosneft provided a balanced representation of material issues concerning its sustainability performance?

- With the exception of the subject area listed below, we are not aware of any material issues concerning Rosneft's sustainability performance which have been excluded from the Report.
- In our view Rosneft should have provided comprehensive information on its sustainability goals and objectives.

¹ The second edition of the standard, AA1000AS (2008) was launched in October 2008

Completeness: Does Rosneft have complete information on which to base a judgement of what is material for inclusion in the Report?

- We are not aware of any material issues excluded from Rosneft's judgements on the content of the Report.
- We are not aware of any material misstatements in the assertions made by Rosneft management in the Report regarding sustainability performance.

Human resources data

- We are not aware of any material subsidiaries that have been excluded from Rosneft's human resources data collection process.
- Nothing has come to our attention that causes us to believe that the human resources data have not been collated properly from information reported at subsidiary level.
- We are not aware of any errors that would materially affect the human resources data as presented in the Report.

Environmental and health & safety data

- Certain subsidiaries have been excluded from Rosneft's environmental and health & safety data as described on pages 14-15 of the Report.
- Nothing has come to our attention that causes us to believe that the environmental and health & safety data have not been collated properly from information reported at subsidiary level.
- Except for the exclusion of some subsidiaries as described above, we are not aware of any errors that would materially affect the environmental and health & safety data as presented in the Report.

Responsiveness: How has Rosneft responded to stakeholder concerns?

- With the exception of the items highlighted above we are not aware of any issues of stakeholder interest that are not currently included in the Report's scope and content.

Does the Report meet the requirements of the A+ application level of the GRI G3 Guidelines?

- Nothing has come to our attention that causes us to believe that Rosneft management's assertion on page 138 that the Report meets the requirements of the A+ application level of the GRI G3 Guidelines is not fairly stated.

Our assurance team

Our assurance team has been drawn from our global Sustainability Assurance and Advisory Services practice.

Key members of the team are experienced in social, ethical and environmental assurance having worked on similar engagements for a number of Russian and international businesses.

In addition, our assurance team includes sustainability assurance practitioners, certified by the International Register of Certificated Auditors (IRCA).

Selected observations on particular aspects of our engagement

Our observations and areas for improvement will be raised in a separate report to the management of Rosneft. In addition, we have been asked to provide our observations on selected matters discussed in the Report.

These observations are set out below and do not modify our conclusions on the Report set out above.

Environmental and health & safety data: during our interviews we obtained evidence that the representatives of Rosneft management are aware of the issues related to the reporting boundaries for collection of environmental and health & safety data and as such have made a commitment in the Report on page 15 to improve this situation.

Documented reporting policy: Rosneft describes its sustainability reporting principles on pages 13-14 of the Report. However, these principles are not officially documented and not approved in accordance with internal requirements

of Rosneft. Proper documentation of sustainability reporting principles will assist in improving the sustainability data collection process and facilitate disclosing the relevant information in future sustainability reports.

Ernst & Young (CIS) B.V.
Moscow
22 July 2009

 **ERNST & YOUNG**
Quality In Everything We Do

APPENDIX 1. TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
AND GRI SUSTAINABILITY REPORTING GUIDELINES, THE IPIECA/API GUIDANCE,
AND THE RUIE BASIC PERFORMANCE INDICATORS

**TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
AND GRI SUSTAINABILITY REPORTING GUIDELINES, THE IPIECA/API GUIDANCE,
AND THE RUIE BASIC PERFORMANCE INDICATORS**

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
STRATEGY AND ANALYSIS			
Statement from the Chairman of the Board, Statement from the CEO	1.1		
Description of key impacts, risks, and opportunities	1.2		
description of the significant impacts the organization has on sustainability and associated challenges and opportunities	1.2		
an explanation of the approach to prioritizing these challenges and opportunities	1.2		
key conclusions about progress in addressing these topics and related performance in the reporting period	1.2		
description of the main processes in place to address performance and/or relevant changes	1.2		
«description of the most important risks and opportunities for the organization arising from sustainability trends»	1.2		
prioritization of key sustainability topics as risks and opportunities according to their relevance for long-term organizational strategy	1.2		
table(s) summarizing performance against targets, and lessons-learned for the current reporting period»	1.2		

APPENDIX 1. TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
AND GRI SUSTAINABILITY REPORTING GUIDELINES, THE IPECA/API GUIDANCE,
AND THE RUIE BASIC PERFORMANCE INDICATORS

Legend

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

Report section	Report pages	Status of coverage	Comments and references to other sources
Message from the Chairman of the Board, Message from the President	7, 9	+	
Risk Management	44 – 45	+	
Risk Management	44 – 45	+	
Reporting Principles (Materiality)	13	+	
Message from the President; Key HSE Performance Indicators; Key Society Performance Indicators; Key HR Performance Indicators	9, 70, 81, 105	+	
Sustainability and Social Responsibility	29 – 31	+	
Sustainability and Social Responsibility	44 – 45	+	
Mission and Strategy	27	+	
Key Operational and Financial Performance Indicators; Key HSE Performance Indicators; Key Society Performance Indicators; Key HR Performance Indicators	28, 70, 81, 105	+	

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AND THE RUIE BASIC PERFORMANCE INDICATORS

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
table(s) summarizing targets for the next reporting period and mid-term objectives and goals related to key risks and opportunities	1.2		
concise description of governance mechanisms in place to specifically manage these risks and opportunities, and identification of other related risks and opportunities	1.2		
ORGANIZATIONAL PROFILE			
Name of the organization	2.1		
Primary brands, products, and/or services	2.2		
Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.3		
Location of organization's headquarters	2.4		
Number of countries where the organization operates	2.5		
Nature of ownership and legal form	2.6		
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7		
Scale of the organization	2.8		
number of employees (breakdown by country/region)	2.8		
net sales, breakdown of sales/revenues by countries/regions that make up 5 percent or more of total revenues	2.8		
total capitalization	2.8		

APPENDIX 1. TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
AND GRI SUSTAINABILITY REPORTING GUIDELINES, THE IPECA/API GUIDANCE,
AND THE RUIE BASIC PERFORMANCE INDICATORS

Report section	Report pages	Status of coverage	Comments and references to other sources
		-	The Company still develops its system for setting sustainability goals and objectives, and not all goals in the field have been finally defined yet. The Company plans to define and publish its sustainability goals and objectives in the mid-term perspective
Risk Management	44 – 45	+	
Contact Details	140	+	
		+	Primary products include oil and petroleum products.
		+	http://www.rosneft.ru/about/OperationalStructure/ Annual Report 2008, pp. 20-21
Contact Details; Company Profile	140, 24	+	
Company Profile	24	+	
		+	The Company is an open joint-stock company incorporated under the laws of the Russian Federation. The Company is registered in the Russian Federation.
Company Profile	24 – 25	+	Annual Report 2008, pp. 69-78
Company Profile; Key Operational and Financial Performance Indicators	24 – 25, 28	+	
Personnel	84	+	
Company Profile; Key Operational and Financial Performance Indicators	24 – 25, 28	+	
		+	Annual Report 2008, pp. 154-156

APPENDIX 1. TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
AND GRI SUSTAINABILITY REPORTING GUIDELINES, THE IPIECA/API GUIDANCE,
AND THE RUIE BASIC PERFORMANCE INDICATORS

Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
quantity of products or services provided	2.8		
total assets	2.8		
beneficial ownership (including identity and percentage of ownership of largest shareholders)	2.8		
costs by countries/regions that make up 5 percent or more of total revenues	2.8		
Significant changes during the reporting period regarding size, structure, or ownership	2.9		
Awards received in the reporting period	2.10		
REPORT PARAMETERS			
Reporting period	3.1		
Date of most recent previous report (if any)	3.2		
Reporting cycle	3.3		
Contact point for questions regarding the report or its contents	3.4		
Process for defining report content	3.5		
Boundary of the report	3.6		
Limitations on the scope or boundary of the report	3.7		
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	3.8		
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	3.9		
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3.10		
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11		

APPENDIX 1. TABLE OF CORRESPONDENCE BETWEEN THIS REPORT
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AND THE RUIE BASIC PERFORMANCE INDICATORS

Report section	Report pages	Status of coverage	Comments and references to other sources
Company Profile; Key Operational and Financial Performance Indicators	24 – 25, 28	+	
		+	Annual Report 2008, p. 235
Company Profile; Key Operational and Financial Performance Indicators	24 – 25, 28	+	
		+	The Company carries out most of its operations (more than 95%) in the Russian Federation
Company Profile	24 – 25	+	
About This Report; Competitive Standing of the Company; Sustainability and Social Responsibility	12, 19, 36	+	
About This Report	12	+	
About This Report	12	+	Second half of 2008; http://www.rosneft.ru
Report Boundary	14 – 15	+	
Contact Details	140	+	
Reporting Principles	13 – 14	+	
Report Boundary	14 – 15	+	
Report Boundary	14 – 15	+	
Report Boundary	14 – 15	+	
Report Boundary	14 – 15	+	
Report Boundary	14 – 15	+	
Report Boundary	14 – 15	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Table identifying the location of the Standard Disclosures in the report	3.12		
Policy and current practice with regard to seeking external assurance for the report	3.13		
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	4.1		
Indication whether the Chair of the highest governance body is also an executive officer	4.2		
For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	4.3		
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4		
Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	4.5		
Processes in place for the highest governance body to ensure conflicts of interest are avoided	4.6		
Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social (sustainability) topics	4.7		
Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	4.8		1.1.

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Report section	Report pages	Status of coverage	Comments and references to other sources
Correspondence between this Report, GRI Sustainability Reporting Guidelines (G3), etc. (this table)	110 – 137	+	
About This Report	12	+	
Corporate Governance Structure; Corporate Governance	40 – 43	+	
Corporate Governance	42	+	
Corporate Governance	43	+	
Corporate Governance	40 – 43	+	
Corporate Governance; Personnel Motivation System	40 – 43, 93	+	
		+	http://www.rosneft.ru/investors/information/charter/ Sustainability Report 2006, pp. 62-63
		+	http://www.rosneft.ru/investors/information/charter/ Sustainability Report 2006, p. 54
Mission and Strategy; Values; Corporate Culture	27 – 28, 48 – 50	+	http://www.rosneft.ru/investors/information/charter/

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	4.9		
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10		
Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.11		
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.12		
Memberships in associations (such as industry associations) and/or national/international advocacy organizations	4.13		
List of stakeholder groups engaged by the organization	4.14		
Basis for identification and selection of stakeholders with whom to engage	4.15		
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16		
Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	4.17		
ECONOMIC PERFORMANCE INDICATORS			
Management Approach			
ASPECT: ECONOMIC PERFORMANCE			
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	EC1	ECO-1 ECO-2 ECO-A2 ECO-3	1.2. 1.3. 1.4. 1.5. 1.6. 1.7.

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Report section	Report pages	Status of coverage	Comments and references to other sources
Corporate Governance	40 – 43	+	
Personnel Motivation System	93	+	
		+	The Company recognizes the importance of necessary expert reviews and assessments aimed at minimizing adverse environmental impacts
		+	The Company subscribes to the principles of the Social Charter of Russian Business developed by RUIE and plans to formally join the Charter
Stakeholder Engagement	34	+	
Stakeholder Engagement	31 – 34	+	
Stakeholder Engagement	31	+	
Stakeholder Engagement	31-36	+	
Stakeholder Engagement	31-36	+	It is planned to made detailed reports on the roundtable meetings held in 2009 available online in Sustainable Development section of the Rosneft's website (http://www.rosneft.ru/Development/)
Corporate Governance Structure	40	+	Annual Report 2008, pp. 27-29
Key Operational and Financial Performance Indicators	28	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2		
Coverage of the organization's defined benefit plan obligations	EC3		1.8.
Significant financial assistance received from government	EC4		
ASPECT: MARKET PRESENCE			
Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EC5		
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC6		
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	EC7	SOC-A3	
ASPECT: INDIRECT ECONOMIC IMPACTS			
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement			
ENVIRONMENTAL PERFORMANCE INDICATORS			
Management Approach			1.1.
Environmental Management System		ENV-6	
ASPECT: MATERIALS			
Materials used by weight or volume	EN1		

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Report section	Report pages	Status of coverage	Comments and references to other sources
		-	At present the Company is beginning an assessment of implications of the climate change for its activities. The Company plans to present this information in future reports
Pension Coverage	91 – 92	+	http://www.neftegarant.ru/finance.php
		+	The Company did not receive significant assistance from government in the reporting period
Personnel Motivation System	93 – 94	+	
Stakeholder Engagement	32	±	Data on proportion of local procurement have not been consolidated due to the scale of Company's operations and changes in its assets. It is planned to disclose this information in the mid-term perspective
		+	The Company strives to hire local residents for its subsidiaries. The vast majority of senior managers of Company subsidiaries (Directors General and their deputies) are also local residents
Society; «School-University-Company» Continuous Training System	74 – 80, 100	+	
Development of an Integrated Management System	54 – 56	+	
Development of an Integrated Management System	54 – 56	+	
Key Operational and Financial Performance Indicators	28	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Percentage of materials used that are recycled input materials	EN2	ENV-A5	2.1.
ASPECT: ENERGY			
Direct energy consumption by primary energy source	EN3	ENV-5	2.2.
Indirect energy consumption by primary energy source	EN4		
Energy saved due to conservation and efficiency improvements	EN5		
Initiatives to reduce indirect energy consumption and reductions achieved	EN7		
ASPECT: WATER			
Total water withdrawal by source	EN8	ENV-A7	2.3.
Percentage and total volume of water recycled and reused	EN10		2.4.
ASPECT: BIODIVERSITY			
Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EN11	ENV-A9	

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Report section	Report pages	Status of coverage	Comments and references to other sources
Waste Management and Land Protection	65	+	Oil-containing waste recycled into marketable products by the Company represents an insignificant portion of materials used
		-	Data on energy consumption have not been consolidated due to the scale of Company's operations and changes in its structure. The Company plans to collect data on energy consumption in the mid-term perspective
		-	Data on energy consumption have not been consolidated due to the scale of Company's operations and changes in its structure. The Company plans to collect data on energy consumption in the mid-term perspective
Air Pollution	59	+	
Air Pollution	59	+	
Water Consumption and Impact on Water Bodies	62	±	The indicator is covered partially, since it was impossible to provide the data broken down by source due to the scale of Company's operations
Water Consumption and Impact on Water Bodies	62	+	
Waste Management and Land Protection	66	+	The Company conducts its operations in liman and reed-swamp wetlands at the Sea of Azov, on the shelf of the Sea of Okhotsk, in the Ob River basin, in the Tundra zone of Timan-Pechora and Hrasoyarsk Region (Vankorskoye field)

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EN12		
Habitats protected or restored	EN13		
Strategies, current actions, and future plans for managing impacts on biodiversity	EN14		
ASPECT: EMISSIONS, EFFLUENTS, AND WAST			
Total direct and indirect greenhouse gas emissions by weight	EN16	ENV-3	2.5.
Other relevant indirect greenhouse gas emissions by weight	EN17		
Initiatives to reduce greenhouse gas emissions and reductions achieved	EN18		
Emissions of ozone-depleting substances by weight	EN19		
NOx, SOx, and other significant air emissions by type and weight	EN20	ENV-A6	2.6.
Flared and Vented Gas		ENV-4	
Total water discharge by quality and destination		ENV-2	2.7. 2.7.2.
Total weight of waste by type and disposal method	EN22	ENV-A3 ENV-A4	2.8.

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Report section	Report pages	Status of coverage	Comments and references to other sources
		-	The Company have not conducted special studies of impacts of existing operations. In preparing new development projects, potential impacts are considered in the EIA process. As a participant of Sakhalin I, Sakhalin III, and Sakhalin IV projects, the Company directly participated in discussing the issue of conservation of the western (Okhotsk-Korean) grey whale population
Waste Management and Land Protection	66	+	
Waste Management and Land Protection	66	+	
		-	The Company plans to carry out an inventory of its greenhouse gas emissions and disclose the results in the mid-term perspective. See also section Emissions in Oil Production
		-	According to the data published by a number of other companies of the sector, other indirect greenhouse gas emissions are not a significant impact factor for oil and gas companies. In addition, in the process of defining report content this issue has not been found material
Emissions in Oil Production	58 – 59	+	
		+	The Company does not use ozone-depleting substances on an industrial scale
Air Pollution	57	+	
Emissions in Oil Production	58	+	
Water Consumption and Impact on Water Bodies	63	±	The indicator is covered partially, since it was impossible to provide the data broken down by destination due to the scale of Company's operations
Waste Management and Land Protection	65	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPECA/API indicator	Basic performance indicator (RUIE)
Total number and volume of significant spills	EN23	ENV-1	2.9.
ASPECT: PRODUCTS AND WASTE			
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EN26	H&S-5	2.11.
Percentage of products sold and their packaging materials that are reclaimed by category	EN27		
ASPECT: COMPLIANCE			
Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	EN28		2.10.
ASPECT: OVERALL			
Total environmental protection expenditures and investments by type	EN30		2.12.
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS			
Management Approach			1.1.
Expenditures on occupational health and safety			3.1.9.
ASPECT: EMPLOYMENT			
Total workforce by employment type, employment contract, and region	LA1		3.1.1.
Total number and rate of employee turnover by age group, gender, and region	LA2		3.1.2. 3.1.3.

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Report section	Report pages	Status of coverage	Comments and references to other sources
Waste Management and Land Protection	67	+	
Emissions in Oil Refining and Marketing	60	-	The Company have not carried out an assessment of impact reduction as a result of switching to production of environmentally safer fuel. In addition, in the process of defining report content this issue has not been found material
		-	The indicator is not material to the Company, given the nature of its business (only insignificant portion of output has potentially recyclable packaging). In addition, in the process of defining report content this issue has not been found material
HSE Expenditures	56	+	
HSE Expenditures; Key HSE Performance Indicators	56	+	
Personnel — introductory section; Development of an Integrated Management System	84, 54 – 56	+	
HSE Expenditures	56	+	
Personnel — introductory section	84	+	Almost all Company personnel (more than 98%) are employed under a permanent contract. The absolute majority of employees work in the Russian Federation
Personnel – introductory section	84	+	As of December 31, 2008, 33% of the total number of employees were women; 23% of employees were younger than 30 y.o., 54% – between 30 and 50 y.o., 23% – older than 50 y.o.

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	LA3		
ASPECT: LABOR/MANAGEMENT RELATIONS			
Percentage of employees covered by collective bargaining agreements	LA4		3.1.4.
Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	LA5		
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	LA7	H&S-3 H&S -4	3.1.5. 3.1.6. 3.1.7. 3.1.8.
Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	LA8		
Employee involvement in development of OHS programmes and actions		H&S-2	
Programmes and actions to reduce work-related employee health risks		H&S-3	
ASPECT: TRAINING AND EDUCATION			
Average hours of training per year per employee by employee category	LA10	SOC-5	3.1.10.
Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	LA11		
Percentage of employees receiving regular performance and career development reviews	LA12		
Monitoring of employee satisfaction level		SOC-A2	
DIVERSITY AND EQUAL OPPORTUNITY			

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Report section	Report pages	Status of coverage	Comments and references to other sources
		+	See Social Partnership section of the Sustainability Report 2006
Engagement with Labor Collectives	85	+	
		+	As required by the RF Labor Code (at least two months)
Occupational Health and Safety, Promotion of a Healthy Lifestyle	68, 87	+	
Promotion of a Healthy Lifestyle	86 – 90	+	
Occupational Health and Safety; Engagement with Labor Collectives	68, 84 – 85	+	
Occupational Health and Safety; Improvement of Working Conditions	68, 85 – 86	+	
Management of the Personnel Training System	97 – 98	±	The Report provides data on the number of employees who received training in the reporting period. The Company has not collected data on hours of training per year per employee, and does not plan to collect such data in the mid-term perspective
Promotion and Evaluation Systems; Candidates Pool; Personnel Development and Training	95 – 104	+	
Promotion and Evaluation Systems	95 – 97	+	
Code of Business Ethics	51	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	LA13		3.1.12.
Ratio of basic salary of men to women by employee category	LA14		
HUMAN RIGHTS PERFORMANCE INDICATORS			
Management Approach		SOC-1	
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES			
Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	HR1		
Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	HR2		
ASPECT: NON-DISCRIMINATION			
Total number of incidents of discrimination and actions taken	HR4	SOC-4	3.2.2.

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Report section	Report pages	Status of coverage	Comments and references to other sources
		+	Women account for 22% of the total number of Company management personnel. 13% of the management personnel are younger than 30 y.o., 60% – between 30 and 50 y.o., 27% – older than 50 y.o.
		+	There is no difference between basic salaries of men and women for all employee categories
Sustainability and Social Responsibility	29 – 30	+	
		-	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to peculiarities of Company's activities and the existing Russian legislation, there is no significant risk of human rights violation within the framework of investment agreements. In addition, in the process of defining report content this issue has not been found material
		-	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Due to peculiarities of Company's activities and the existing Russian legislation, there is no significant risk of human rights violation by suppliers and contractors. In addition, in the process of defining report content this issue has not been found material
		-	In its activities, the Company adheres to the existing legislation prohibiting discrimination. Due to peculiarities of Company's activities and the existing Russian legislation, the risk of discrimination is insignificant. In addition, in the process of defining report content this issue has not been found material

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	HR5	SOC-7	
Labor disputes		SOC-6	3.2.1.
ASPECT: CHILD LABOR			
Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	HR6		
ASPECT: FORCED AND COMPULSORY LABOR			
Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	HR7		
ASPECT: SECURITY PRACTICES			
Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	HR8	SOC-9	
ASPECT: INDIGENOUS RIGHTS			
Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	SOC-A6	3.2.3.
SOCIETY PERFORMANCE INDICATORS			
Management Approach			

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Report section	Report pages	Status of coverage	Comments and references to other sources
Engagement with Labor Collectives	84 – 85	+	In its activities, the Company adheres to the legal requirements with regard to freedom of association and collective bargaining
		+	In its activities, the Company adheres to the requirements of the labor legislation. The Company seeks to resolve all labor disputes by means of negotiations
		+	The Company does not carry out any activities associated with the risk of child labor
		+	The Company does not carry out any activities associated with the risk of forced or compulsory labor
		-	The Company does not maintain statistics with regard to this indicator. In addition, in the process of defining report content this issue has not been found material
Stakeholder Engagement; Support and Development of Social Infrastructure of the Regions of Operations	31 – 34, 76 – 77	+	In its activities, the Company adheres to the existing legislation prohibiting any form of human rights violation. Engagement with representatives of indigenous minority peoples of the North is addressed in section Supporting Indigenous Communities of the North
		+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
ASPECT: COMMUNITY			
Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	S01	SOC-8	3.3.3.
Collaboration with authorities in addressing objectives of social significance			3.3.1.
Collaboration with non-commercial and non-governmental organizations in addressing objectives of social significance			3.3.2.
Participation in non-commercial organizations			3.3.5.
Social investments		SOC-A4	
External capacity building		SOC-A5	
Indigenous communities		SOC-A6	
ASPECT: CORRUPTION			
Percentage and total number of business units analyzed for risks related to corruption	S02	SOC-2	
Percentage of employees trained in organization's anti-corruption policies and procedures	S03	SOC-2	
Actions taken in response to incidents of corruption	S04		
ASPECT: PUBLIC POLICY			
Public policy positions and participation in public policy development and lobbying	S05	SOC-3 SOC-A1	3.3.4.

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Report section	Report pages	Status of coverage	Comments and references to other sources
Support and Development of Social Infrastructure of the Regions of Operations	76 – 77	+	
Stakeholder Engagement; Support and Development of Social Infrastructure of the Regions of Operations	31 – 34, 76 – 77	+	
Stakeholder Engagement; Support and Development of Social Infrastructure of the Regions of Operations	34, 76 – 77	+	
Stakeholder Engagement	31 – 34	+	
Support and Development of Social Infrastructure of the Regions of Operations	76 – 77	+	
Support and Development of Social Infrastructure of the Regions of Operations	76 – 77	+	
Supporting Indigenous Communities of the North	78 – 80	+	
		–	Preventing corruption is one of the components of the Code of Business Ethics adopted by the Company. See the respective section about the Code of Business Ethics
		–	Preventing corruption is one of the components of the Code of Business Ethics adopted by the Company. See the respective section about the Code of Business Ethics
		–	Preventing corruption is one of the components of the Code of Business Ethics adopted by the Company. See the respective section about the Code of Business Ethics
Stakeholder Engagement	31 – 34	+	

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Disclosure (indicator) definition	GRI disclosure or indicator	IPIECA/API indicator	Basic performance indicator (RUIE)
ASPECT: ANTI-COMPETITIVE BEHAVIOR			
Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	S07		
ASPECT: COMPLIANCE			
Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	S08		
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
Management Approach			
ASPECT: CUSTOMER HEALTH AND SAFETY			
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	PR1		
ASPECT: PRODUCT AND SERVICE LABELING			
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	PR3		3.4.1.
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR5		
ASPECT: MARKETING COMMUNICATIONS			
Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	PR6		
ASPECT: COMPLIANCE			
Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	PR9		

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Report section	Report pages	Status of coverage	Comments and references to other sources
Stakeholder Engagement	31 – 34	+	See also Annual Report 2008, p. 237
		+	Annual Report 2008, pp. 210, 235, 247
Stakeholder Engagement	31 – 34	+	
		+	There are special regulatory requirements regarding safety of petroleum products, and the Company considers these requirements in designing its products
		+	The Company provides information regarding compliance of its petroleum products with safety standards in accordance with the respective legislation
Stakeholder Engagement	31 – 34	+	
		-	Marketing communications were not identified as a material topic in the process of defining report content
		+	See S07

		2002 in accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report externally assured		Report externally assured		
	Third Party Checked							
Optional	GRI Checked							Report externally assured

List of abbreviations

The 2008 Report – OAO Rosneft Sustainable Development Report 2008 (this Report)

The 2007 Report – OAO Rosneft Sustainable Development Report 2007

The 2006 Report – OAO Rosneft Sustainable Development Report 2006

Available on the Rosneft official website:

<http://www.rosneft.ru>

OAO Rosneft, Rosneft, Company – abbreviated names of OAO Rosneft Oil Company.

GRI Guidelines – Sustainability Reporting Guidelines (the third version, or G3) developed by the Global Reporting Initiative, an international non-governmental organization.

The 2008 Annual Report – Rosneft Annual Report 2008. Available on the Rosneft official website: <http://www.rosneft.ru>

API/IIPECA – American Petroleum Institute/ International Petroleum Industry Environmental Conservation Association

HSE – health, safety and environment

HSE IMS – Integrated Health, Safety and Environment Management System

OHS – occupational health and safety

OAO – Open Joint-Stock Company

ZAO – Closed Joint-Stock Company

OOO – Limited Liability Company

APG – associated petroleum gas

RUIE – Russian Union of Industrialists and Entrepreneurs

R&D – research and development

CSRC – Corporate Scientific Research Complex

STC – Science and Technology Conference

CSTC – Cluster Science and Technology Conference

IRSTC – Inter-Regional Science and Technology Conference

RAS – Russian Accounting Standards

US GAAP – Generally Accepted Accounting Principles (United States)

IFRS – International Financial Reporting Standards

bscm – billion standard cubic meters

kt – thousand tons

mmt – million metric tons

Contact details

Open Joint-Stock Company «Rosneft Oil Company»

Address: 26/1 Sofiskaya Embankment, Moscow
117997 Russia

Phone: +7 (495) 777-44-22

Fax: +7 (495) 777-44-44

E-mail: postman@rosneft.ru

Corporate website:

<http://www.rosneft.ru>

<http://www.rosneft.com>

Feedback

You can contact the Corporate Culture Department on any issue regarding Rosneft Sustainability Reports.

Phone: +7 (495) 229-47-36

Fax: +7 (495) 229-47-68

E-mail: e_karpova@rosneft.ru

