



Updated procedure of environmental responsibility

rating of oil and gas companies

(year 2017 rating calculation based on 2016 performance indicators)

Basic principles of rating

- The rating is performed on the basis of the criteria specified, first and foremost, in the Joint Environmental Requirements of the Public Interest Environmental Groups to the Oil and Gas Companies. (https://new.wwf.ru/upload/iblock/4ac/oil_demands.pdf).
- The rating methodology shall be discussed with all the interested parties. Face-to-face and distance consultations dedicated to improving rating methodology are held annually with the rating participants.
- The rating is calculated considering all the segments: production, processing and transportation.
- The rating is based on the data related to the companies operation in the Russian Federation, available in public domain. Availability in public domain is understood as being accessible to public in the form of annual business or socio-ecological reports, including reports on environmental protection measures (including regional). Also, for the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) with the necessary inclusion of references to the relevant pages in the site menu, or if it is provided through interviews of the companies' official representatives for federal or regional media.

- The rating calculation shall be performed by the professional rating agency, which is chosen on the basis of tender.
- List of the companies for the rating is defined by the volume of production, refinery and transportation of oil, gas condensate and oil products. The lower borderline is represented by the volume of oil and gas condensate production equivalent to 1.5 mln tons per year, and the transportation volume of 30 mln tons per year, the refinery volume of oil, gas condensate and oil products of 8 mln tons per year. The list of the companies on rating calculation in 2017 is attached at the end of the document.
- The rating is performed on the annual basis. This allows for estimation of the oil & gas companies environmental indicators dynamics.

Structure of the Rating

The Rating consists of three sections: Environmental Management, Environmental Impact, and Disclosure of Information.

Section 1 (Environmental Management) assesses the quality of eco-management in the companies. The criteria included in this section are in most cases substantially more rigid compared to the Russian legislation on environmental protection. However, these criteria correspond to the best global standards and practices in oil and gas business.

Section 2 evaluates the scale of impact of oil and gas companies on the environment. In particular, the damage level is revealed for the environmental media (air, water and land) during the implementation of projects as well as the ecological performance level of the industrial companies. In most cases the criteria are based on components of state statistical reporting in the field of environmental protection (the data sources are represented by the 2-tp reports (water, air, wastes, water works systems and land), 4-OS reports (costs and payments), reflecting the companies environmental impact as a result of the economic activities performing at the respective licensed areas. This Section includes quantitative values that are being transformed to qualitative scale by comparing to industry

average indicators for every criterion. The industry average indicators, when not available from official sources, are calculated as an arithmetic mean value for companies participating in the Rating. For comparative analysis across the companies, the data are used per production unit by dividing gross indicators by relevant volumes of hydrocarbon production, transportation and processing.

Section 3 evaluates the extent of companies' readiness to disclose information with respect to environmental impact of their industrial activities. Historically, Russian oil and gas business was considered as a rather non-transparent community not least because of the unwillingness to publish environmental data. The recent trend is a growing transparency of the companies.

Rating calculation

The Rating is calculated as follows. Each company is assigned color flags for each of criteria – Red, Yellow or Green. When a criterion is not relevant for the given company (for example, the company does not produce fuel or does not operate in the territories of Small Indigenous Peoples of the North), no flag is assigned. In such cases, companies are required to present proof of being irrelevant to criteria. When the information related to the criterion is not available in public domain, red flag is assigned. Availability in public domain is understood as being accessible to public in the form of annual business or socio-ecological reports, including reports on environmental protection measures (including regional). Also, for the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) with the necessary inclusion of references to the relevant pages in the site menu, or if it is given through interviews of the companies' official representatives for federal or regional media.

At the next stage, points are assigned for every criterion. Red flag counts as 0 points, Yellow as 1 point, and Green as 2 points. For each section, companies are assigned an arithmetic mean of their points for criteria in the corresponding section. In this calculation, only those criteria that have been assigned color flags are taken into account, i.e. criteria that are not relevant for the given company, are not included in the calculation. As a result, every company is assigned final points for Environmental Management Section, Environmental Impact Section and Transparency Section. Final points vary from 0 to 2. At this stage, the leaders are chosen in each of the following areas: Management, Operations, and Information.

In order to avoid disappearance or replacement of the data which were used for the ratings calculations of the previous years, the arrangers suggested the following motivating solution of the problem. The retrospective evaluation of each company rated in the previous 3 years will be performed during the regular data collection. In case the data from the public domain disappeared or were replaced, the company will be asked to provide explanations on the reasons. If an adequate explanation is provided (for example, the new web-site, new methodology, the data which were not considered previously), the amended data will be taken into account. If the reply is not adequate or lacking, the red levels will be assigned to the criteria where the data of the previous years had disappeared or had been replaced. Thus, total section rating (and overall rating as well) will go down for the companies which failed to explain disappearance or replacement of previously published data on their web-sites.

The final Rating is then calculated for each company by averaging three values assigned in the previous stages.

Section 1. Environmental Management

	Criteria	Reflection in the Rating
1	Presence of quantitative efficiency indicators in the environmental management system (EMS) (as per the Standard 14001/GOST R ISO and others)	Green – Environmental Management System is in place in the company’s main production outlets and its quantitative indicators are included in the company’s public documents. Yellow – Environmental Management System is in place in the company’s main production outlets or its quantitative indicators are included in the company’s public documents. Red – Environmental Management System is not in place in the company’s main production outlets.

	Criteria	Reflection in the Rating
2	<p>Company’s environmental policy (or other formalized corporate documents) includes:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Requirements to additional risk assessment in environmentally sensitive areas. <input type="checkbox"/> Commitments to reduce landscape fragmentation and disturbed land area. <input type="checkbox"/> Commitments to protect animal migration routes. <input type="checkbox"/> Requirements to Strategic Environmental Assessment (SEA) in major infrastructure projects, if any. <input type="checkbox"/> Prohibited hunting and fishing by personnel, including contractors, in the company areas of operations. <input type="checkbox"/> Requirement to perform a comprehensive assessment of environmental impact (EIA) beginning from the phase of construction and up to the phase of abandonment and cleanup within the bounds of the project and its related projects. <input type="checkbox"/> Willingness to avoid work in specially protected natural areas (SPNAs), their buffer zones, and World Natural Heritage (WNH) sites. <input type="checkbox"/> Commitments in respect of pipeline integrity. <input type="checkbox"/> Commitments and/or practices of promoting/introducing “green office” principles in the company offices. <input type="checkbox"/> Requirements of heightened environmental friendliness of the company’s means of transportation (including means of transportation operated by its contractors). <input type="checkbox"/> Requirements to extend the company’s environmental standards onto its contractors. 	<p>More than 7 positive answers – green. 4-7 positive answers – yellow. Less than 4 positive answers – red.</p>
3	<p>A Policy, or any other document approved by the company, on relations with indigenous small-numbered peoples of the North.</p>	<p>Yes – green. No separate document in place, but care for ethnic minorities mentioned – yellow. No mentioning – red.</p>

	Criteria	Reflection in the Rating
4	Energy efficiency program	<p>Green – quantitative indicators of energy efficiency show positive dynamics compared to the previous year figures.</p> <p>Yellow – quantitative indicators showing the implementation of an energy efficiency program are available.</p> <p>Red – no quantitative indicators are available to show results of energy efficiency program implementation.</p>
5	<p>Presence of the following components in the biodiversity preservation programs in the company’s areas of operation:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Fund allocations for biodiversity preservation measures. <input type="checkbox"/> Presence of an approved list of indicative species in the areas of company’s activities. <input type="checkbox"/> Presence of study and/or monitoring programs for indicative species. <input type="checkbox"/> Public availability of results of researches performed in the area of biodiversity preservation. <input type="checkbox"/> Mechanisms of involvement of interested parties in discussing programs targeted at biodiversity preservation (discussing methods, approaches, results, etc.). 	<p>More than 3 positive answers – green.</p> <p>2-3 positive answers – yellow.</p> <p>Less than 2 positive answers – red.</p>
6	Wildlife rescue section in Oil Spill Contingency Plans (OSCPs) and/or Oil Spill Emergency Response Plan (OSERP).	<p>Yes – green.</p> <p>Partially (limited to specific projects or subsidiaries) – yellow.</p> <p>Not present at all – red.</p>
7	Voluntary insurance of environmental risks.	<p>Presence of a corporate system of voluntary insurance against environmental risks is rated as Green flag.</p> <p>Voluntary insurance against environmental risks in respect of individual projects or individual subsidiaries – Yellow flag.</p> <p>Absence of voluntary insurance against environmental risks – Red flag.</p>

Section 2. Environmental impact

	Criteria	Reflection in the Rating
1	Emission rates of pollutants into the atmosphere.	Kg/t of produced hydrocarbons (tonnes of oil equivalent). Kg/t of processed hydrocarbons (tonnes of oil equivalent) X processing depth. Kg/t of transported hydrocarbons (tonnes of oil equivalent).
2	Emission rates of greenhouse gases into the atmosphere.	Kg/t of produced hydrocarbons (tonnes of oil equivalent). Kg/t of processed hydrocarbons (tonnes of oil equivalent) X processing depth. Kg/t of transported hydrocarbons (tonnes of oil equivalent).
3	Associated petroleum gas utilization (APG)	%
4	Discharge rate of wastewater into surface water bodies.	m ³ /t of produced hydrocarbons (tonnes of oil equivalent). m ³ /t of processed hydrocarbons (tonnes of oil equivalent). m ³ /t of transported hydrocarbons (tonnes of oil equivalent).
5	Water consumption for the company's own needs.	m ³ /t of produced hydrocarbons (tonnes of oil equivalent). m ³ /t of processed hydrocarbons (tonnes of oil equivalent). m ³ /t of transported hydrocarbons (tonnes of oil equivalent).
6	Ratio of the amount of the utilized and disposed (including by third parties) wastes to the amount of wastes being handled (amount of wastes present as of the beginning of the year + amount of wastes generated during the year + amount of wasters received from other enterprises)	t/t.
7	Ratio of polluted areas as of the year's end to the year's beginning.	ha/ha.
8	Rate of pipeline accidents leading to spills of oil, condensate, oil products and oilfield water.	ea/1,000 km of pipelines.
9	Amounts of oil, condensate and oil products spilled as the result of accidents and leaks.	kg/t of produced hydrocarbons (tonnes of oil equivalent).

	Criteria	Reflection in the Rating
10	The proportion of excess charges in the total payments for adverse environmental impact (ratio of charges for excess emissions, discharges, and waste disposal to the total environmental charges for the reporting year).	RUB/RUB.
11	Power generation from renewable energy sources (RES), including for own needs.	% of the total amount of power generation.

Section 3. Disclosure and Transparency

	Criteria	Reflection in the Rating
1	Non-financial reporting is in compliance with the international requirements (such as GRI or IPIECA).	<p>Yes, GRI application level A (“comprehensive”) – green.</p> <p>Yes, either GRI application level B or C (“core”) or reporting is in compliance with IPIECA/API/IOGP requirements for oil and gas sector – yellow.</p> <p>Not present at all – red.</p>
2	Third party confirmation (verification) of non-financial reporting.	<p>Professional verification (based on professional standards ISAE 3000, AA1000AS) and verification based on the opinion of interested parties (including public opinion) – green.</p> <p>Professional verification (based on professional standards ISAE 3000, AA1000AS) or verification based on the opinion of interested parties (including public opinion) – yellow.</p> <p>No third party verification is available or no reporting is available in accordance with GRI requirements – red.</p>

3	Public access to Environmental Impact Assessment (EIA) via the Internet throughout the project's lifecycle for those active projects, which are required to pass the State Environmental Export Review.	Yes, with feedback mechanism – green Yes, without feedback mechanism – yellow. Not present at all – red.
4	Public access to OSCP's and OSERP (in part of environmental impact) including mandatory publication on the Internet.	Yes, with feedback mechanism – green Yes, without feedback mechanism – yellow. Not present at all – red.
5	Informing the public about emergencies/accidents and mitigation measures thereof in respect of accidents having significant environmental impact, causing major damages and arousing loud public discussions, including those caused by contractor activities.	Reliable data available or no major accidents during the reporting period – green. Fragmentary data – yellow. Data missing or unreliable – red.
6	Informing the public of environment-related conflicts and measures taken to resolve them within the areas of the company's operation, including its subcontractors.	Reliable data available or no environment-related conflicts during the reporting period – green. Fragmentary data – yellow. Data missing or unreliable – red.
7	Established procedure in place for processing public complaints.	Yes, with feedback mechanism and procedure – green. Yes, with either a feedback mechanism or a procedure – yellow. Not present at all – red.
8	Public availability of information regarding criteria 1-7 of Section 1 for the reporting period at the website or in the publicly accessible information sources.	More than 80% positive answers – green. 50-80% positive answers – yellow. Less than 50% positive answers – red.
9	Public availability of information regarding criteria 1-11 of Section 2 for the reporting period at the website or in the publicly accessible information sources.	More than 80% positive answers – green. 50-80% positive answers – yellow. Less than 50% positive answers – red.

Test mode in 2017 (below criteria will not be included in Rating 2017 calculations):

Criteria added to Section 1:

	Oil recovery rate increase program	Green – quantitative indicators of oil recovery rate increase program implementation demonstrate positive dynamics as compared with previous year. Yellow – oil recovery rate increase program in place Red – no oil recovery rate increase program in place
	The company has RES scientific developments and technologies, including the same for its own needs	Corporate R&D program for RES power production in place - green Separate R&D projects for RES power production in place – yellow No RES power production R&D - red

Criteria added to Section 3:

	Involvement of general public stakeholders in holding and reviewing team-headquarters emergency training exercises, comprehensive response training and other OSR exercises.	Established corporate procedures for involvement of general public stakeholders in holding and reviewing team-headquarters emergency training exercises, comprehensive response training and other OSR exercises are in place – green General public stakeholders are involved in separate team-headquarters emergency training exercises, comprehensive response training and other OSR exercises – yellow General public stakeholders are not involved in separate team-headquarters emergency training exercises, comprehensive response training and other OSR exercises - red
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	Public access to industrial environmental monitoring reports including mandatory publication on the Internet.	Yes, for the majority of large scale projects – green Yes, for separate projects – yellow No – red
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