



severneftegazprom



ANNUAL REPORT **2016**





Introduction

This Annual Report discloses the results of operational and business activities of Open Joint-Stock Company Severneftegazprom (hereinafter referred to as "OJSC Severneftegazprom", and "Company") for 2016, and priorities of development to ensure the achievement of strategic objectives and sustainable development of the Company.

When preparing the Report, all significant information for the intended users has been taken into account. The data officially recognized by the Company and confirmed by internal documentation is presented herein. The information in this Report has been prepared using methodologies similar to those of the previous periods. The Annual Report avoids the use of professional vocabulary and provides no data that requires special knowledge.

Results of the Company's performance in the area of sustainable development are compiled following standards of the fourth generation of the Global Reporting Initiative (GRI, G4, "Core"). The materiality and completeness of the disclosure of non-financial information was confirmed by the independent auditor NP Consult, LLC.

The Report contains estimates and forecasts by the Company's authorized regulatory bodies regarding its performance and future events and/or actions, including the Company's plans, the probability of certain events, and implementation of certain actions.

Owing to their nature, forward-looking statements bear an inherent risk of uncertainties both general and specific. The Company points out that actual results may differ substantially from such forward-looking statements, expressed directly or indirectly.

The Report is published on the Company's official website and distributed by direct mail to the interested parties. It is important for the Company to know the opinions, comments, and suggestions of all interested parties on how to improve the Report. For these purposes, you can fill out a questionnaire enclosed at the end of the Report.

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Message from the Chairman of the Board of Directors

FOR THE PURPOSES OF IMPROVING FIELD DEVELOPMENT EFFICIENCY, OJSC SEVERNEFTEGAZPROM HAS BEEN INTENSIVELY APPLYING INNOVATIVE TECHNOLOGIES, WHICH ENABLES THE COMPANY TO MAINTAIN A POSITION OF A TECHNOLOGY LEADER, WITH DUE REGARD BEING GIVEN TO ENVIRONMENTAL RISK REDUCTION, LABOR AND INDUSTRIAL SAFETY, AND CAREFUL USE OF NATURAL AND ENERGY RESOURCES.

Dear shareholders,

In 2016, OJSC Severneftegazprom demonstrated its ability to achieve good results and the ability to adapt to lower hydrocarbon prices. We maintained quick pace in implementing production plans, strengthened our resource base and expanded our production capacities. Our financial stability is based on natural gas reserves at the Yuzhno-Russkoye oil, gas and gas condensate field.

For the purposes of improving field development efficiency, OJSC Severneftegazprom has been intensively applying innovative technologies, which enables the Company to maintain a position of a technology leader, with due regard being given to environmental risk reduction, labor and industrial safety, and careful use of natural and energy resources.

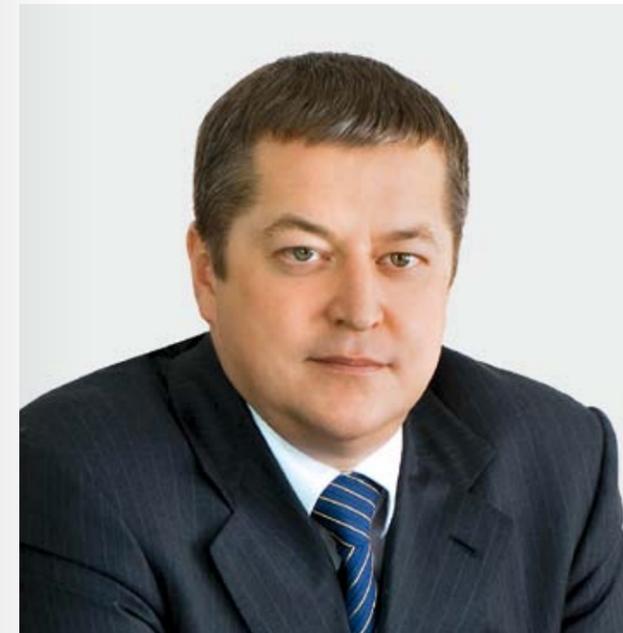
For the Company, this year was the time to establish a platform for further successful development. Building a competent management team engaged today in OJSC Severneftegazprom was a significant achievement of the year 2016. The new management had made major effort to improve the corporate management system, and increase the production transparency and efficiency. One of its key objectives was to improve the financial performance of the Company. The actual results of the work in the reporting year showed that the objective had been achieved. The management of OJSC Severneftegazprom will continue pursuing chosen strategic targets in 2017.

Coherent actions of the whole Company team are the key factor for success. OJSC Severneftegazprom management's priorities include stability, absence of social strain, and providing conditions for the maximum personal fulfilment of each employee. The Company's activities are not restricted to addressing corporate issues. Its policy is also aimed at the high-quality social and economic development in the areas of its operation and the whole region.

I would like to express gratitude on behalf of the Board of Directors to the Company's team for their commitment and conscientious work. I feel certain that OJSC Severneftegazprom has every chance to realize its full potential and achieve substantive results.

Sincerely yours,
Alexander Medvedev

Deputy Chairman of the Management Committee
of PJSC Gazprom,
Chairman of the Board of Directors of OJSC Severneftegazprom



Message from the General Director

THE PRODUCTION OF 200 BILLION M³ OF GAS AT THE YUZHNO-RUSSKOYE FIELD WAS ONE OF THE MOST IMPORTANT ACHIEVEMENTS OF 2016.

Dear colleagues, shareholders and partners,

The report you are holding in your hands provides information on the activities of OJSC Severneftegazprom in 2016. The Company's work followed the approved strategy and was focused on creating conditions for its further sustainable development. In 2016, we used every opportunity to participate in forums, conferences and congresses, sharing our achievements and prospects in order to promote interests of the Company.

The production of 200 billion m³ of gas at the Yuzhno-Russkoye field was one of the most important achievements of 2016. For good reason, the Yuzhno-Russkoye oil, gas and gas condensate field development project has been announced as the winner in the category "Promising project" at the annual forum held in Yamal. OJSC Severneftegazprom is intensively developing priority production activities. The construction and commissioning of disposal well No.3-P and observation wells No.R-50, R-51, R-52, R-53, R-55 and R-42 were completed. Infrastructure setup at production well No.1902 for the Turonian gas deposits of the Yuzhno-Russkoye oil, gas and gas condensate field was completed. Gas compressor units No.1-4 of the booster compressor station No.1 were reconstructed. Such measures will allow the Company to maintain the projected gas production targets at the level of 25 billion m³ and enhance the production efficiency. The gross gas production in 2016 amounted to 25,124 million m³ or 100.1% of planned target. The total Turonian

gas production at the Yuzhno-Russkoye oil, gas and gas condensate field reached 471.6 million m³. The operating profit of OJSC Severneftegazprom for 2016 amounted to 18,611 million rubles.

I would like to note that all this became possible thanks to the professionalism of OJSC Severneftegazprom employees. An individual is the foundation of any enterprise and I am confident that having such dedicated and competent team will help us to achieve our goals. I would like to thank the employees, shareholders and members of the Board of Directors of OJSC Severneftegazprom for their trust, support and readiness for further fruitful work for the benefit of our Company.

Sincerely yours,
Vladimir Dmitruk

General Director of OJSC Severneftegazprom



Key events 2016



JANUARY

The Company celebrated its 18th anniversary with high achievements.

A program of activities regarding Year of HSE in 2016 is approved at OJSC Severneftegazprom.



FEBRUARY

OJSC Severneftegazprom summed up the results of the Integrated Quality, Environmental Protection, Occupational Health and Safety Management System and those of the Energy Management System for 2015.

OJSC Severneftegazprom employees took part in the All-Russian Scientific and Technological Conference "Current Problems of the Russian Oil and Gas Sector Development"



MARCH

OJSC Severneftegazprom and the Government of Yamal-Nenets Autonomous Area signed an additional agreement to implement in 2016 the Cooperation Agreement between the area's Government and the Company, which spans the period from 2013 till 2017.

The General Director of OJSC Severneftegazprom took part in the meeting of Subsurface Expert Board of the Yamal-Nenets Autonomous Area.

OJSC Severneftegazprom and the Administration of Novy Urengoy signed a Cooperation Agreement for 2016.



APRIL

The Technical Committee of the Board of Directors considered the report on Yuzhno-Russkoye Oil, Gas and Gas Condensate Field Monitoring and Design Supervision of the Project for Development of the Cenomanian Gas Deposit and the pilot operation of Turonian gas deposit, issues of amending the licence agreement items regarding appraisal and pilot operation of Jurassic gas deposits of Yuzhno-Russkoye and Yarovoye fields.

OJSC Severneftegazprom took part in the 10th Gas Forum "Gas. Oil. New Technologies – for the Far North".

The Technical Committee of the Board of Directors of OJSC Severneftegazprom considered the draft Annual Report of the Company for 2015.



MAY

200 billion cubic meters of gas produced at Yuzhno-Russkoye oil, gas and gas condensate field.

The Board of Directors of OJSC Severneftegazprom considered and pre-approved the Company's Annual Report for 2015.

The General Director of OJSC Severneftegazprom took part in the 14th Annual General Meeting of the International Business Congress.

The Global Reporting Initiative (GRI) verified that G4-17 to G4-27 indicators were correctly located in both the GRI Content Index and in the text of the Company's Annual Report for 2015 (Materiality Disclosures Service).



JUNE

The honorary shift team was held with the awarding of employees whose work and professional skills made a special contribution to the process of achieving production indicators and ensuring the stable operation of the field. This event was timed to the opening of a new office in Novy Urengoy.



JULY

The project for development of the Yuzhno-Russkoye oil, gas and gas condensate field of OJSC Severneftegazprom won in the nomination of Promising Project at the Yamal Oil and Gas Forum 2016.



AUGUST

OJSC Severneftegazprom defined the best oil and gas production operator.



Key events 2016



SEPTEMBER

OJSC Severneftegazprom early fulfilled its obligations under the Project Facility Agreement dated March 16, 2011 and repaid the balance of its debt to the syndicate of foreign lenders and Gazprombank (Joint-stock Company).

OJSC Severneftegazprom took the third place in the all-Russian competition for the best management of activities focused on the reduction of greenhouse gas emissions "Climate and Responsibility".

The Technical Committee of the Board of Directors of OJSC Severneftegazprom considered the reports on fulfillment of the Annual Work Program and Budget for the first half of 2016 and on recalculation of reserves of the Turonian gas deposit.

OJSC Severneftegazprom's Yuzhno-Russkoye oil, gas and gas condensate field was awarded with the First Well commemorative token.



OCTOBER

OJSC Severneftegazprom representatives took part in the 6th Meeting of St. Petersburg International Gas Forum.

OJSC Severneftegazprom delegation took part in the international conference held at Gazprom VNIIGAZ devoted to modern innovative technological decisions.

The Technical Committee of the Board of Directors of OJSC Severneftegazprom considered the reports on fulfillment of the Annual Work Program and Budget of the Company for 2017 and the forecast for the target period of 2018–2019.



NOVEMBER

OJSC Severneftegazprom took part in the meeting of Subsurface Expert Board of the Yamal-Nenets Autonomous Area devoted to issues of the subsurface users in the sphere of environmental protection and safety in the autonomous area in 2015, 2016 and plans until 2018.

OJSC Severneftegazprom successfully completed a re-certification audit of the Environmental Management System for compliance with the requirements of the new version of international standard ISO 14001:2015.

The supervisory audit of the integrated management system in the field of quality, occupational health and safety (IMS) for compliance with the requirements of the international standard ISO 9001: 2008, BS OHSAS 18001: 2007 standard, as well as the supervisory audit of the energy management system (EMS) for compliance with the requirements of the international ISO standard 50001: 2011 were carried out.



DECEMBER

OJSC Severneftegazprom and the Government of YNAO signed a Cooperation Agreement for 2017.

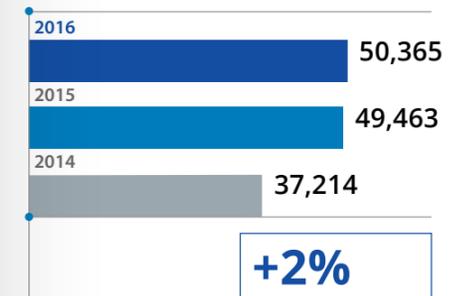
The results of the contest "Innovative solutions and projects of students and graduates of technical universities of Russia" were summed up in OJSC Severneftegazprom.



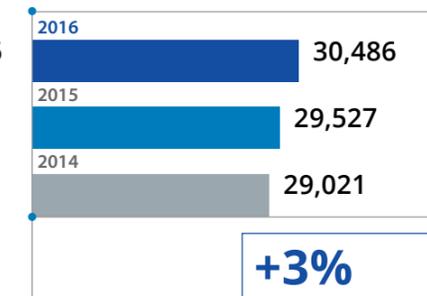
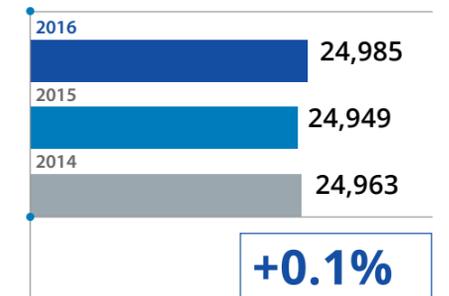
Key performance indicators 2016



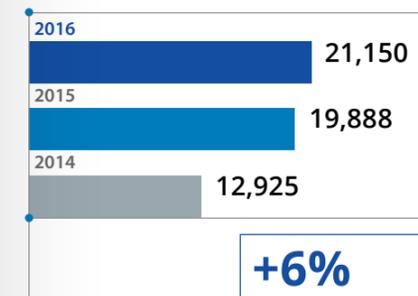
SALES REVENUE, MILLION RUBLES



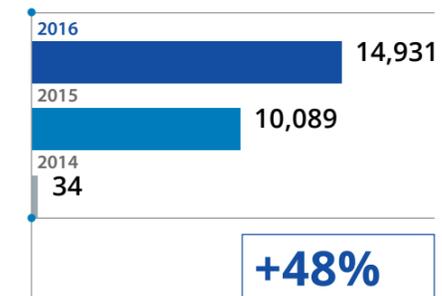
COST PRICE, MILLION RUBLES

GAS SALES, MILLION M³

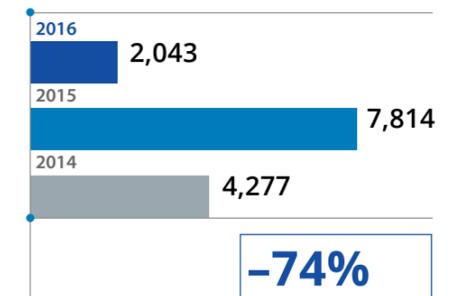
NET CASH FROM OPERATING ACTIVITIES, MILLION RUBLES



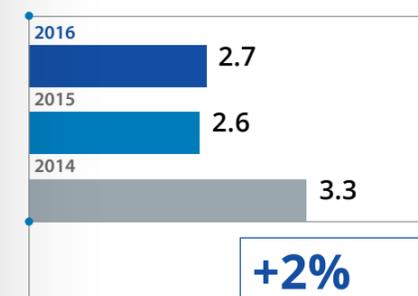
NET PROFIT, MILLION RUBLES



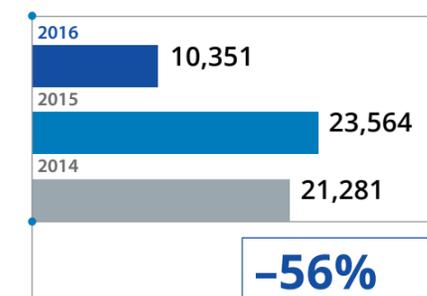
CAPITAL EXPENDITURES, MILLION RUBLES



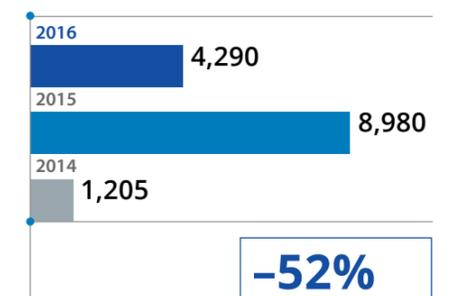
CURRENT LIQUIDITY RATIO



NET WORKING CAPITAL, MILLION RUBLES



COMMISSIONING OF FIXED ASSETS, MILLION RUBLES



STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS

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

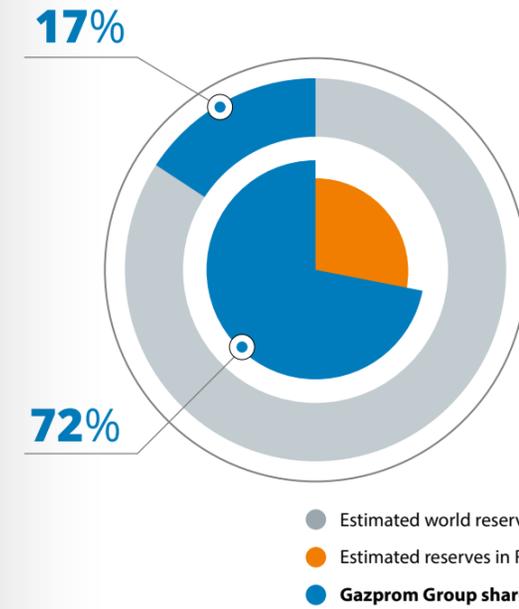
KEY PROJECT OF THE COMPANY IS THE DEVELOPMENT AND INFRASTRUCTURE SETUP OF THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD – ONE OF THE LARGEST OIL AND GAS FIELDS IN RUSSIA.

GAS PRODUCTION FACILITIES OF THE YUZHNO-RUSSKOYE FIELD ARE TODAY AMONG THE MOST MODERN AND TECHNICALLY EQUIPPED IN RUSSIA, UNIFYING WESTERN TECHNOLOGIES WITH RUSSIAN EXPERIENCE OF WORK IN HARSH CLIMATE.

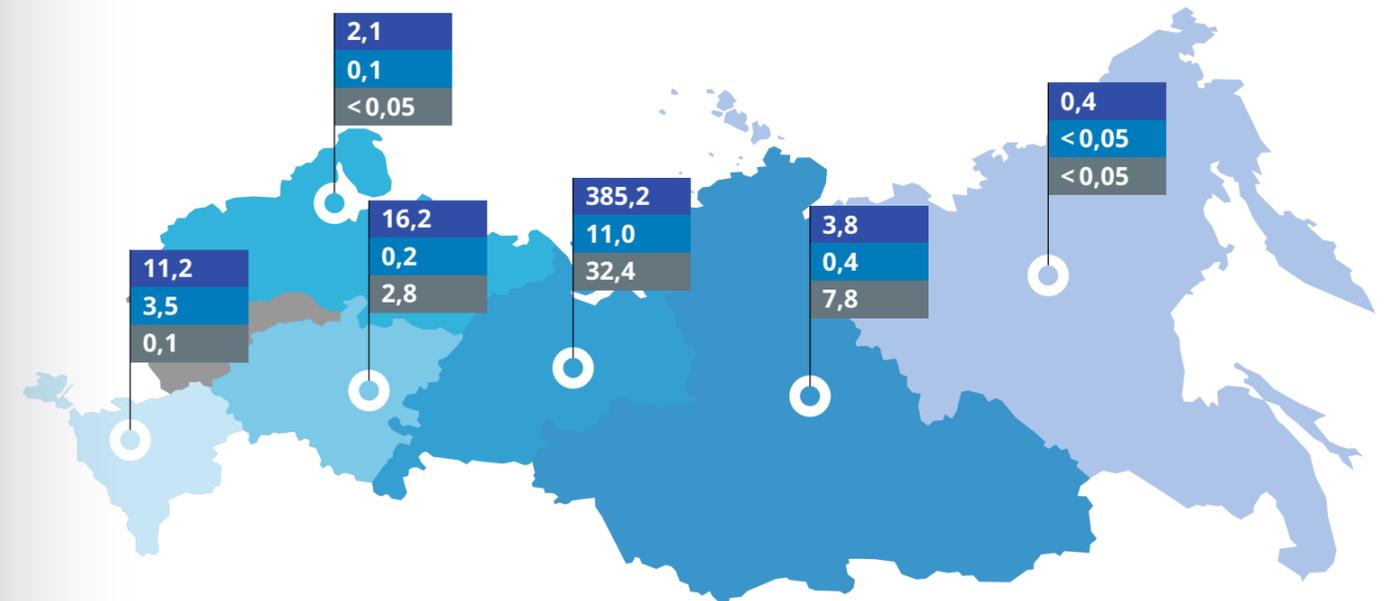
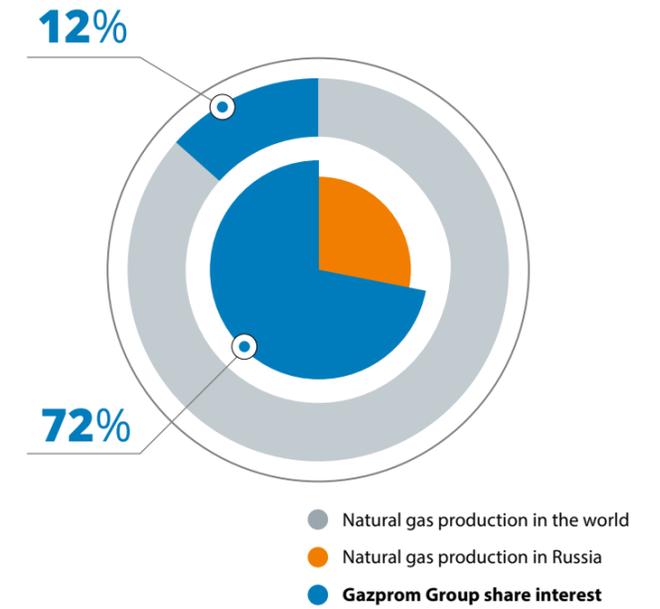


4

NATURAL GAS RESERVES OF GAZPROM GROUP*



NATURAL GAS PRODUCTION OF GAZPROM GROUP*



TOTAL*:

419.5

15.3

44.0

BILLION M³ OF GAS

MILLION TONS OF GAS CONDENSATE

MILLION TONS OF OIL

SIBERIAN FEDERAL DISTRICT

URALS FEDERAL DISTRICT

NORTHWESTERN FEDERAL DISTRICT

VOLGA FEDERAL DISTRICT

SOUTHERN AND NORTH CAUCASIAN FEDERAL DISTRICT

FAR EASTERN FEDERAL DISTRICT

The main gas production center of Gazprom is the Urals Federal District. Following the results of 2015, Gazprom Group companies produced 385.2 billion m³ of natural gas in the territory of that district.

* PJSC Gazprom website (www.gazprom.ru).



OJSC Severneftegazprom is an advanced Company that uses the best technical solutions for improving the existing industry's efficiency, resources energy saving, and environmental protection. The Company is constantly searching for new technologies

and innovative solutions for the development and construction of the Yuzhno-Russkoye oil, gas and condensate field to fulfil the terms of existing gas sales agreements.

DEVELOPMENT PROSPECTS OF THE COMPANY

Business Priorities:

Ensuring fulfilment the target tasks for gas production of 25 billion m³ a year;

Fulfilment of the work program on equipment maintenance and repair, instrument calibration, research work in the chemical analysis laboratory of the gas field facilities at the Yuzhno-Russkoye oil, gas and condensate field;

Fulfilment of the program on reconstruction, modernisation, additional equpping, and technical upgrade of the Yuzhno-Russkoye oil, gas and condensate field facilities;

Implementation of the research and development program, development of the innovation activities to improve effectiveness of the existing process flows;

Fulfilment of the actions on health, safety, and environmental protection in accordance with the requirements of the current Russian legislation;

Strict compliance with and improvement of the Integrated Management System (IMS) and the Energy Management System meeting the requirements of international standards ISO 9001:2008, ISO 14001:2015, ISO 50001:2011, OHSAS 18001-2007 for effective quality, health, safety, and environmental protection management and for improvement of the energy efficiency.



YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD FACILITIES

- 1 SWITCH VALVE STATION (SWS)**
Designed to disconnect the inlet manifold and gas gathering system
- 2 GAS SEPARATION UNIT (GSU)**
The gas separation unit provides purification of gas from mechanical impurities, dropping liquid and gas washing from salt before delivery to the booster compressor station
- 3 RECUPERATIVE HEAT EXCHANGER**
Designed for heat exchange between formation gas and compressed gas
- 4 BOOSTER COMPRESSOR STATION (BCS)**
Ensures compression of preliminary separated natural gas to the pressure needed for its transportation from the Gas Processing Facility to the Purta-zovskaya Compressor Station through the marketable gas pipeline
- 5 GAS DEHYDRATION STATION**
It consists of two gas dehydration units KOG-1 and KOG-2. It is designed for dehydration of separated gas to desired gas dew point temperature in accordance with the requirements of PJSC Gazprom Company Standard 089-2010 by method of absorption dehydration of water vapors. Tri-ethylene glycol (TEG) is used as an absorbent

- 6 GAS MEASURING STATION (GMS)**
Designed for metering of the sales gas delivered to the marketable gas pipeline
- 7 CHEMICALS AND METHANOL WAREHOUSE**
Designed to store chemicals used in technical processes
- 8 REPAIR AND OPERATION BUILDING**
Designed for repair and inspection of the equipment at the Yuzhno-Russkoye oil, gas & condensate field
- 9 WATER TREATMENT FACILITIES (WTF)**
Designed for treatment of drinking and household water, storage of industrial and firefighting water, and delivery of water to separated networks of industrial and firefighting, drinking and household water supply to the gas field facilities
- 10 SERVICE AND OPERATIONS BUILDING (SOB)**
A two-level building equipped with power supply, ventilation, water supply, heating and sewage systems. The building includes a spacious entrance hall, 55 rooms of different purpose for administration and personnel of the gas field facilities, the main control panel of gas production, treatment and transportation, a laboratory for chemical analysis, and a canteen for on-duty staff of the gas field
- 11 FIRE STATION**
Set of premises designed for accommodation of the Corporate Fire Department employees and firefighting equipment carrying out fire prevention and extinguishing activities at the gas field facilities
- 12 TRI-ETHYLENE GLYCOL REGENERATION UNIT**
Designed for regeneration of the glycol saturated solution to the required concentration. The TEG Regeneration Unit consists of two processing lines of a rated capacity of 17 t/h each.

All equipment of the Regeneration Unit, except for the regenerators, is located in the main building of the TEG Regeneration Unit. The glycol regenerators are situated in a separate building



13 BCS-2 PLANNED COMMISSIONING IN 2021



MODERN MANAGEMENT SYSTEMS ARE THE KEY TO SUCCESS

Resource base of the Yuzhno-Russkoye oil, gas and gas condensate field guarantees stable production and potential for long-term and steady development for regular supply of customers. The Yuzhno-Russkoye oil, gas and gas condensate field located in the North-Eastern part of Western Siberia is one of the largest fields in Russia in terms of reserves.

25 BLN M³
ANNUAL GAS PRODUCTION



NATURAL GAS EXPLORATION AND PRODUCTION

THE COMPANY'S DEVELOPMENT PROGRAM IS AIMED AT EFFICIENCY INCREASE OF GEOLOGICAL EXPLORATION AND FIELD DEVELOPMENT BY IMPLEMENTATION OF A COMPLEX OF ORGANIZATIONAL, LEGAL, FINANCIAL, AND DESIGN-TECHNOLOGICAL MEASURES.



5

- Status of Raw Materials Base
- Development of the Cenomanian and Turonian Gas Deposits
- Exploration Activities
- Production drilling
- Natural Gas Production

21
24
25
26
27

Status of Raw Materials Base

THE COMPANY HOLDS THE HYDROCARBON GEOLOGICAL SURVEY AND PRODUCTION LICENCE SLKH NO. 11049 NE FOR THE YUZHNO-RUSSKOYE SUBSOIL PLOT. THERE ARE THREE FIELDS LOCATED WITHIN THE SITE AREA: THE YUZHNO-RUSSKOYE FIELD WAS BROUGHT INTO DEVELOPMENT IN 2007, YAROVOYE, AND ZAPADNO-CHASELSKOYE FIELDS ARE REGISTERED IN THE GOVERNMENTAL RECORDS AS UNDEVELOPED FIELDS.

As of December 31, 2016, all the Company's licence obligations related to the subsoil geological study were fully met. According to the Decree of the Federal Agency for Subsoil Use No. 177 "On the one-time updating of licences for subsoil usage rights" dated February 27, 2015 to fulfil the President's Assignment No. 254-Pr dated February 12, 2015 the licence was updated and amended in 2016. Amendments to the licence SLKH No. 11049 NE were registered on November 15, 2016, Reg. No. 5509.

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

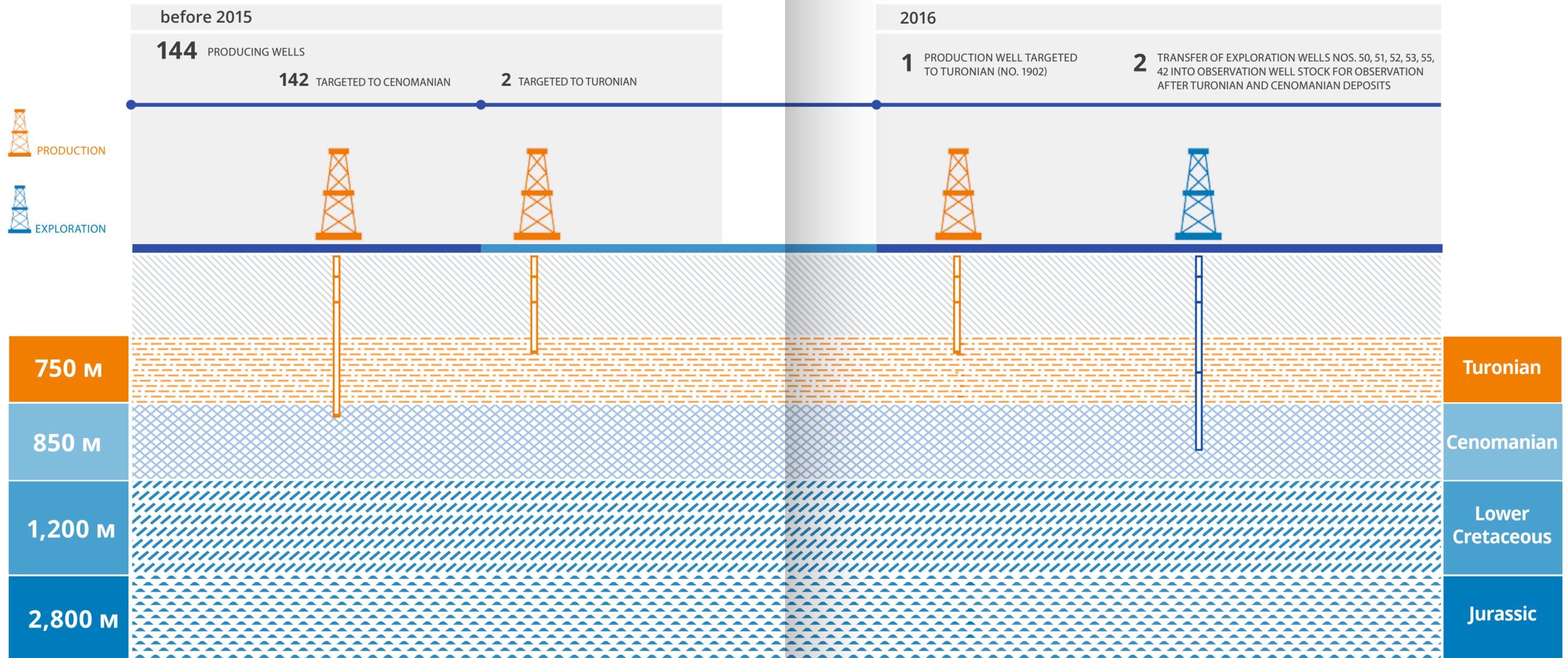
FIELD	HYDROCARBON RESERVES AS OF DECEMBER 31, 2016					
	GAS, BILLION M ³		CONDENSATE, MILLION TONS		OIL, MILLION T	
	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂
Yuzhno-Russkoye	822.027	125.206	–	3.046	10.962	34.463
Yarovoye	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye	7.968	0.079	0.157	–	–	0.160
Total	832.791	135.753	0.369	4.039	11.019	35.826

CHANGE IN RESERVES ON A+B₁+C₁ AND B₂+C₂ CATEGORIES IN THE REPORTING PERIOD

HYDROCARBONS	RESERVES AS OF JANUARY 01 2016		RESERVES CHANGES IN 2016						RESERVES AS OF DECEMBER 31 2016		
	A+B ₁ +C ₁	B ₂ +C ₂	PRODUC-TION + LOSSES	EXPLORATION		REVALUATION		TRANSFER		A+B ₁ +C ₁	B ₂ +C ₂
				A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂		
Oil (million tons)	11.019	35.666	–	–	–	–	–	–	0.160	11.019	35.826
Gas (billion m ³)	857.339	135.706	25.149	–	–	–	–	0.601	0.047	832.791	135.753
Condensate (million tons)	0.255	4.039	–	–	–	–	–	0.114	–	0.369	4.039



RAW MATERIALS BASE OF OJSC SEVERNEFTEGAZPROM



TURONIAN

35% of total reserves

HARD-TO-RECOVER GAS RESERVES

- ▶ Low reservoir permeability.
- ▶ High inhomogeneity in vertical direction.
- ▶ Deposit area covers more than 1000 km².
- ▶ Abnormally high reservoir pressure.
- ▶ Low reservoir temperature.

CENOMANIAN

47% of total reserves

MAIN DEVELOPMENT TARGET

- ▶ The deposit has a thick pay zone and pronounced inhomogeneity in horizontal and vertical direction.

LOWER CRETACEOUS

16% of total reserves

OVER 20 FORMATIONS

- ▶ Small size, low amplitude gas, gas condensate and oil deposits widely spread over area and section.
- ▶ Hard-to-recover oil reserves are concentrated in thin rims under gas caps.

JURASSIC

2% of total reserves

- ▶ Gas condensate and oil deposits with small pay zone thickness.
- ▶ Concentrated mostly in Yarovoye field.



Development of the Cenomanian and Turonian Gas Deposits

COMPARISON OF THE PLANNED AND ACTUAL DEVELOPMENT INDICATORS

INDICATOR	2016	
	PLANNED	ACTUAL
Total gas production, billion m ³ /yr	25.320	25.149
including:		
Cenomanian (PK ₁)	25.100	24.984
Turonian (T ₁₋₂)	0.220	0.166
Cumulative gas production, billion m ³	215.912	216.076
including:		
Cenomanian (PK ₁)	215.300	215.547
Turonian (T ₁₋₂)	0.612	0.529
Gas production as percentage of initial balance sheet reserves, %		
including:		
Cenomanian (PK ₁)	32.4	32.4
Turonian (T ₁₋₂)	0.18	0.16
Gas production for 2016 as percentage of initial balance sheet reserves, %		
including:		
Cenomanian (PK ₁)	3.77	3.76
Turonian (T ₁₋₂)	0.065	0.049
Commissioning of wells, units:	8	8
Production	1	1
Observation	6	6
Disposal	1	1
Well stock as of the end of the year, units:	176	176
Production,	145	145
including:		
Active	145	145
Observation	28	28
Disposal	3	3
Power capacity of BCS (Booster Compressor Station), MW	8*16	8*16
Well utilization rate	0.95	0.97
Well stock utilization rate	1	1

The development indicators of the Cenomanian and Turonian gas deposits correspond to the planned values. TyumenNIIgiprogaz carries out the design supervision of the development projects on an annual basis.

In 2016, the design institute TyumenNIIgiprogaz started works on the complex Project for Development of the Cenomanian and Turonian Gas Deposits at the Yuzhno-Russkoye oil, gas and gas condensate field.

Exploration Activities

IN 2016, THE EXPLORATION ACTIVITIES WITHIN THE YUZHNO-RUSSKOYE FIELD LICENCE AREA WERE CONDUCTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LICENCE AGREEMENT AND PURSUANT TO THE GEOLOGICAL TASK APPROVED BY PJSC GAZPROM.

CONSTRUCTION OF EXPLORATION WELLS

The exploration wells were constructed on the basis of the approved design documentation: "Construction of exploration wells Nos. R-50, R-51, R-52, R-53, R-54, and R-55 at the Yuzhno-Russkoye oil, gas and gas condensate Field" prepared by TyumenNIIgiprogaz in 2013.

In 2016, two exploration wells were completely constructed:

At wells Nos. R-53 and R-55 tests of 6 facilities were carried out including 5 production ones, final work was performed, and the wells were transferred to the observation well stock;

Wells Nos. R-50, R-51, R-42 were recommissioned and transferred to the observation well stock.



Well testing was accompanied by geophysical survey and sampling of formation fluids.

TyumenNIIgiprogaz finished the development of design documentation for the construction of exploration wells No. R-61 and No. R-62, Jurassic deposits.



SCIENTIFIC AND INDUSTRY-SPECIFIC RESEARCH WORK

The following scientific and industry-specific research work was performed in line with the approved geological task as of August 01, 2015:

The recalculation of initial reserves of the non-associated gas of the Turonian gas deposit at the Yuzhno-Russkoye oil, gas and condensate field as of January 1, 2016. It is planned to submit the work for approval to the Federal State-Funded Institution State Reserves Committee in the 4th quarter of 2017 together with the Complex Project for Development of the Cenomanian and Turonian Gas Deposits at the Yuzhno-Russkoye Oil, Gas and Gas Condensate field;

Development of the Addendum to the Further Appraisal Project for the Yuzhno-Russkoye Field Licence Area and its expert evaluation in the West-Siberian territorial directorate of Federal State-Funded Institution ROSGEOLEKSPERTIZA;

Completion of laboratory testing of the isolated core in exploration wells Nos. R-53 and R-55;

Completion of laboratory testing of the reservoir fluid in exploration wells Nos. R-53 and R-54;

Initial hydrocarbons reserves recalculation was started in the Lower Cretaceous deposits of the Yuzhno-Russkoye oil, gas and gas condensate field as of January 1, 2017. Four stages were completed within the reporting period, and the work will be continued in 2017;

Works on core material classification and storage were performed.



Production drilling

In 2016, the following work was performed within the framework of reclaiming hard-to-recover gas resources:

Gazprom Bureniye LLC completed the construction of exploration well No. 1902, and testing, disassembly and recultivation of the well site. Multistage fracking was performed by Halliburton International GmbH; seismic monitoring during the fracking was performed by Geoseis-Service LLC, and geophysical supervision of the well construction was performed by Gazprom Georesource LLC. The well was commissioned as of December 31, 2016.

Gazprom Bureniye LLC completed the construction of disposal well No. 3-P. With the drilling footage planned having been 1130 m, 1131 m was drilled. The work planned for 2016 was performed in full. The well was commissioned as of December 31, 2016 as a disposal well.



Natural Gas Production

IN 2016, THE PLANNED GAS PRODUCTION WAS APPROVED BY OJSC SEVERNEFTEGAZPROM IN THE AMOUNT OF

25,100 MILLION M³

ACTUAL GROSS GAS PRODUCTION AMOUNTED TO

25,124 MILLION M³

THE TARGET PLAN WAS FULFILLED BY

100.1% (+24 MILLION M³)



KEY PRODUCTION INDICATORS

INDICATOR	BILLION M ³		
	2016	2015	2014
Production (extracted from layer)	25.149	25.067	25.068
Natural gas losses in gas well surveys	0.025	0.022	0.021
Gross natural gas production	25.124	25.045	25.047
Domestic technological needs	0.138	0.095	0.079
Natural gas losses in operation of technological facilities	0.001	0.001	0.005
Sales gas	24.985	24.949	24.963



MULTISTAGE FRACKING OF THE LAYER

Application of advanced technologies for the development of deposits with hard-to-recover reserves makes it possible to achieve a high rate of hydrocarbon recovery and allowable cost-effective well operation.

INJECTED IN 4 STAGES

280 TONS
OF PROPPANT

MULTISTAGE FRACKING

OJSC SEVERNEFTEGAZPROM WAS THE FIRST IN RUSSIA TO IMPLEMENT A MULTI-STAGE HYDROFRACTURING PROJECT ON A HYDROCARBON BASE IN A HORIZONTAL WELL OF THE TURONIAN GAS DEPOSIT.



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- Use of state-of-the-art technologies to develop deposits with hard-to-recover reserves

Use of state-of-the-art technologies to develop deposits with hard-to-recover reserves

Traditional technologies for development of fields by drilling vertical and directional wells in the formations with complex geological structure, low reservoir properties and high anisotropy values do not ensure high hydrocarbon recoverability and acceptable revenue producing operation of wells.

Drilling horizontal wells with the help of multistage fracking is an effective method of developing such fields, and the longer the horizontal wellbore sections are, the more necessary the multistage fracking technology becomes.

Multistage fracking established itself as one of the main reservoir stimulation methods in Russia. The main aim of this method is to provide high-conductive splits in an oil and gas saturated reservoir along the whole length of a horizontal wellbore section. For this purpose, a successive series of fracking is performed which results in the maximum output of hydrocarbons.

In March – June 2016 a multistage fracking project, based on a hydrocarbon base (diesel) using the Plug&Perf technology with the placement of 280 tons of proppant at four stages of fracking, was implemented at the Turonian well No. 1902 of the Yuzhno-Russkoye field.

Considering the peculiarity of the Turonian reservoir structure (abnormally high reservoir pressure, low temperature, poorly consolidated reservoir properties with high residual water saturation) detailed investigation and laboratory tests were performed during the design phase in order to choose and verify the type of fracking fluid and well injection system, including core samples, in the conditions imitating those of the reservoir.

Fracking at each stage was additionally controlled by synchronous ground and well microseismic monitoring.

Use of state-of-the-art technologies to develop deposits with hard-to-recover reserves



For the ground monitoring of multistage fracking process a system of receiver points in the form of a star with 13 beams diverging from the wellhead, where the works were performed, was located on the surface. Such spread is considered to be a “classic” one as it enables interfering noise caused by the fracturing fleet to be effectively filtered. In addition, circular aerials were disposed to improve the vertical resolution and to considerably decrease the interference noise level.

An 8-level geophone string with a 30 m interval, registering P- and S-waves, was used for well-hole observation.

Additionally work using the method of active seismic exploration with the use of Geoton-15 non-explosive sources was performed to obtain information through scattered waves about the open fracture distribution (using the seismic side-scanner [SSS] technology).

This information enables changes to be monitored (growth or collapse) of an open or fixed by proppant fracture zone with time; for this purpose observations were made before and after each stage.

As a result of data processing, key geometrical parameters of drilling induced fractures were obtained, fracturing analysis was performed, results of well and ground monitoring compared, results interpreted and geological and methodological recommendations made. Data obtained on completion of the work will be used to work out a development strategy for the Turonian reservoir.



INTRODUCTION OF ADVANCED TECHNOLOGIES

OJSC Severneftegazprom traditionally pays special attention to the development of innovative activities, strives to use the most advanced technologies and modern equipment.

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VALID PATENTS
AS OF DECEMBER 31, 2016

TECHNOLOGY AND INNOVATION

THE EFFICIENCY OF INNOVATIVE ACTIVITIES AND PERMANENT SEARCH FOR NEW SCIENTIFIC AND TECHNICAL APPROACHES ALLOWED THE COMPANY TO CREATE AT THE YUZHNO-RUSSKOYE FIELD ONE OF THE MOST MODERN FACILITIES IN TERMS OF TECHNOLOGICAL AND ENGINEERING SOLUTIONS.



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- Intellectual property
- Optimization Activity
- Promotion of Innovation Activities

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Intellectual property

OJSC SEVERNEFTEGAZPROM TRADITIONALLY PLACES SPECIAL EMPHASIS ON THE DEVELOPMENT OF INNOVATION ACTIVITY AND SEEKS TO USE THE MOST ADVANCED TECHNOLOGIES AND MODERN EQUIPMENT IN ITS WORK.

The Company's professional engineering team is actively seeking new efficient scientific and technical solutions that take into account the specific nature of the challenges faced by OJSC Severneftegazprom.

All the most important, interesting, and promising technical and organizational solutions of the Company's employees are subject to the patenting procedure for the purpose of their possible implementation in the fuel and energy industry companies under licence agreements.

Development of the innovation activities is one of the prerequisites for successful production work in the long run.



Information about the patents, the right of use for which is granted by licence agreements in 2016:

"Method of Threaded Joint Sealing of the Coupling of a Conductor-Mounting Sleeve of the Casing Head at a Well without Capital Overhaul" (Invention No. 2541007).

In 2016, the following patent right items were registered in the State Register of the Russian Federation:

Groundwater cleaning unit (Utility model No. 160447);

Pattern for the system of documenting and analyzing the results of management system audit (State registration certificate for the software No. 2016136380);

Lubrication device for power unit generator bearing (Utility model No. 156885);

Disconnecter (Utility model No. 163178).



INNOVATIVE TECHNOLOGY FOR SEALING A WELL CASING THREADED JOINT

OJSC Severneftegazprom developed and successfully implemented a scientific and technical solution for sealing a threaded joint of the coupling of a conductor-mounting sleeve of the casing head at the Yuzhno-Russkoye oil, gas and gas condensate field without a capital overhaul of the wells.

“Method of Threaded Joint Sealing of the Coupling of a Conductor-Mounting Sleeve of the Casing Head at a Well without Capital Overhaul”

(Patent for invention No. 2541007)

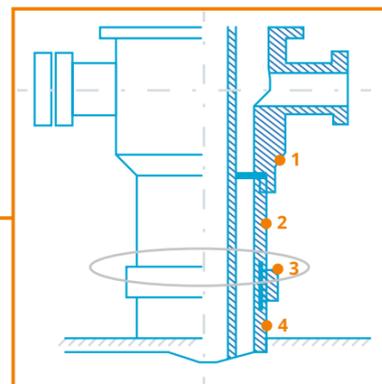
NAKS certificate

No. ATsST-94-00227



Positive effect from implementation:

- Decrease in financial expenditures;
- Reduction in duration of repair work;
- No need to shut down and to cap the well with the negative effect on the bottom-hole layer area;
- Significant decrease in natural gas losses in well development.



- 1 – Casing head
- 2 – Mounting sleeve of the casing head
- 3 – Coupling of a conductor
- 4 – Conductor



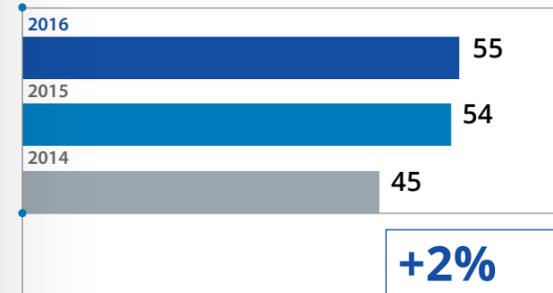
Optimization Activity

The purpose of the optimization is to improve the efficiency of the existing process flows and organizational processes in OJSC Severneftegazprom.

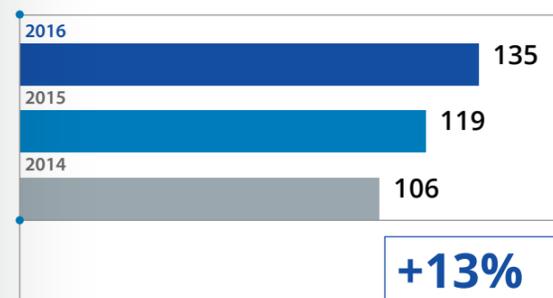
Motivation of the Company's employees with various bonuses promotes continuous search for unconventional technical solutions.

Not only the number of optimization proposals but also the number of employees involved in the development of the Company's innovation activities are increasing from year to year.

NUMBER OF REGISTERED OPTIMIZATION PROPOSALS, PCS.



NUMBER OF EMPLOYEES INVOLVED IN THE DEVELOPMENT OF INNOVATION ACTIVITIES, PERS.

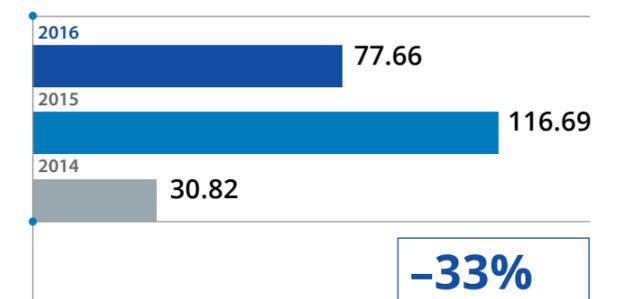


Continuous search for advanced engineering solutions is a guarantee of OJSC Severneftegazprom's successful development and determines the position of the Yuzhno-Russkoye oil, gas and gas condensate field as a ground for introduction of promising technologies and implementation of innovative solutions.

In 2016, the Company implemented innovations aimed at:

- Improving the reliability of centrifugal compressors in gas-compressor units;
- Automating temperature behaviour of domestic wastewater tanks;
- Improving the reliability of data exchange between the telemetry system of gas well clusters and the servers of gas production PCS;
- Improving industrial safety during deep investigations of disposal wells at the wastewater injection site etc.

COST IMPACT FROM USE OF INNOVATIVE DEVELOPMENTS IN OPERATIONAL ACTIVITY, MILLION RUBLES





Promotion of Innovation Activities

Promotion of the innovation activities results of the employees in OJSC Severneftegazprom is an indispensable element for formation the Company's good reputational advantages and an important condition for steady and dynamic production development.

The successful results of scientific and technical research and development of technological and organizational solutions are presented at competitions and conferences on innovations and published in expert magazines.



PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS AT CONFERENCES:

Plenary meeting of the 5th international conference: "Modern Innovative Technical Solutions Aimed at Efficiency Improvement of Reconstruction and Technical Upgrade of Hydrocarbon Production Facilities"

Report topic:
Ensuring Safe Gas Well Operation at Different Stages of Field Development.

Round table meeting: "Innovative Technologies in Fuel and Energy Complex"

Report topic:
"Ensuring Safe Gas Well Operation at Different Stages of Field Development Application of Electromagnetic Suspension of the Rotor of a Centrifugal Compressor at the Booster Compressor Station of the Yuzhno-Russkoye Field".

Open scientific and practical conference of young scientists and professionals of Gazprom Podzemremont Urengoy LLC

Report topic:
«Operation of Turonian Gas Deposit Wells at the Yuzhno-Russkoye Field: II Degree Certificate
General Overview of OJSC Severneftegazprom Management System for Environmental Protection: II Degree Certificate
Innovative R&D Solutions Aimed at Environmental Safety at Facilities of OJSC Severneftegazprom».

Open conference of young scientists and professionals, devoted to the 50th anniversary of discovery of the Urengoy oil, gas and gas condensate field

Report topic:
«Operation of Turonian Gas Deposit Wells at the Yuzhno-Russkoye Field
Innovative R&D Solutions Aimed at Environmental Safety at Facilities of OJSC Severneftegazprom
Development and Implementation of R&D Solutions for Efficiency Enhancement of Repair and Renewal Well Activities without Capital Overhaul.



PUBLISHED PAPERS ON THE COMPANY'S INNOVATIVE SOLUTIONS:

Authors: A.A. Kasyanenko; A.N. Evdokimov
"Optimization of Maintenance System for Operation of Gas Turbine Power Unit";

Authors: A.A. Kasyanenko; A.A. Legay
"Efficiency Analysis of Existing Methods of Sealing of Well Casing Threaded Joints";

Authors: A.A. Kasyanenko, I.V. Kravchenko; E.B. Kovinchenko
"Improvement of Triethylene Glycol Regeneration Processes";

Author: A.A. Kasyanenko
"Diagnostics of Equipment for Gas Production and Processing based on Systematic Performance Measurement".

COMPETITION OF INNOVATIVE PROJECTS DEVELOPED BY STUDENTS AND GRADUATE STUDENTS FROM RUSSIAN TECHNICAL UNIVERSITIES

Since 2014, OJSC Severneftegazprom holds the competition "Innovative Projects Developed by Students and Graduate Students from Russian Technical Universities". Main objectives of the Competition:

To identify scientific and technical developments for further possible use in the Company's operational activities;

To involve innovative technical developments that may enhance gas recovery and fail safety, cut costs and process losses in gas production, treatment and transportation;

To encourage students and graduate students of Russian technical universities to carry out research and practical work;

To provide students and graduate students of technical universities with the opportunity to implement promising projects, which scope significantly exceeds the laboratory resources of universities.

The innovative projects of students and graduate students are appraised by the competition committee composed of the Company's experts for their relevance and novelty, cost efficiency, and prospects for cooperation with authors in implementation of the R&D program of OJSC Severneftegazprom and for the Russian fuel and energy industry in general.

Apart from certificates and runner-up prizes, the winners had the opportunity for priority traineeship at the Yuzhno-Russkoye oil, gas and gas condensate field that is one of the most advanced fields in Russia as seen from the standpoint of the technological and engineering solutions.

The competition winners in 2016:

PLACE	WINNER	UNIVERSITY	PROJECT
1	Azamat Khabibullin	Tyumen Industrial University	Development of Unit for Reservoir and Condensed Fluid Removal from a Gas and Gas Condensate Well Bottomhole
2	Danil Kobylinsky	Tyumen Industrial University	Development of an Isotopic Well-Logging Measurement Method to Find Pay Layers and to Estimate Their Properties
3	Denis Vorontsov	Gubkin Russian State University of Oil and Gas	Application of Alternative Generation Sources for Power Supply of Emergency Valves at Main Oil Pipelines



**EFFICIENCY OF INVESTMENT ACTIVITIES IN PROVIDING
A RELIABLE BASIS FOR SUSTAINABLE DEVELOPMENT
OF THE COMPANY**

The increase in production potential by renewal, qualitative improvement and quantitative increase of fixed assets, as well as raising the technical level and efficiency of production and management are priority objectives of OJSC Severneftegazprom.

2.04 bln RUB

**TOTAL CAPITAL
EXPENDITURES
IN 2016**



INVESTMENT ACTIVITIES

OJSC SEVERNEFTEGAZPROM INVESTMENT PROGRAM PRIORITIES IN 2016 WERE THE MAINTENANCE OF THE CURRENT LEVEL OF RELIABILITY AND FULFILMENT OF ALL OBLIGATIONS UNDER THE DEVELOPMENT PROGRAM FOR YAMALO-NENETS AUTONOMOUS AREA, INCLUDING IMPLEMENTATION OF STRATEGICALLY IMPORTANT PROJECTS.



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The main goals and objectives of the Company's investment program are::

- Meeting the key targets of the Long-Term Development Program for the Cenomanian and Turonian deposits of the Yuzhno-Russkoye oil, gas and gas condensate field;
- Fulfillment of the exploration studies plan in accordance with the respective licence obligations;
- Implementation of the approved design solutions ensuring the commissioning, reconstruction, modernisation, and refit of production capacities of the main and auxiliary production facilities;
- Risk minimization.

The priorities of the investment program in OJSC Severneftegazprom for 2016 were maintenance of the current reliability level and performance of the obligations under development programs with YNAO in full, including implementation of the strategic projects.

The Company's investment projects on reconstruction, modernisation, and refit are aimed at increasing the production potential by renovation, qualitative advance, and quantity increase of the fixed assets, as well as enhancement of the production and management engineering performance standard and efficiency.

The facilities are constructed in close partnership and prompt cooperation between the Company's departments and contractors' representatives.



INVESTMENTS IN THE DEVELOPMENT OF THE CENOMANIAN AND TURONIAN GAS DEPOSITS

In the reporting period, OJSC Severneftegazprom continued the fulfillment of its plans on the development of the Cenomanian and Turonian gas deposits at the Yuzhno-Russkoye oil, gas and gas condensate field and exploration activities in accordance with the existing licence obligations and the approved geological task.

Final activities were performed at wells Nos. R-53 and R-55; the wells were completely constructed.

Well recommissioning was performed at wells Nos. R-50, R-51, R-52, R-53, R-55 and R-42, and they were transferred to the observation well stock.

The construction and infrastructure setup at gas production well No. 1902 were completed. The work on the construction and infrastructure setup at disposal well No. 3-P were completed





INVESTMENTS IN THE INSTALLATION, RECONSTRUCTION, MODERNISATION, TECHNICAL UPGRADE AND REFITTING OF FACILITIES

To maintain the planned volumes of the sales products from the Yuzhno-Russkoye oil, gas and gas condensate field and to improve the economic performance indicators of OJSC Severneftegazprom, the work on phase 6th of "Construction of the Yuzhno-Russkoye oil, gas and gas condensate field. Gas processing facility. Booster compressor station No. 1 (2nd phase)" was completed in the reporting period.

The following infrastructure facilities have been constructed: "Process building with a heated parking at the industrial base of the YROGCF"; "Administration and welfare building" at the contractor's base at YROGCF (commissioning planned for 2017 after issuing approval documentation by the authorized state bodies).

The communication facility has been constructed: "Communication tower at the 68th km at the Urengoy-Krasnoselkup road, YROGCF-Beregovoye section" to create a technological and data transfer network between OJSC Severneftegazprom's facilities.

To ensure engineering safety of the Company's facilities, the 1st phase of work on the building of Information security systems of the information management system at the YROGCF was performed; the work on modernisation and additional equipping of technical security equipment was completed at two facilities: security equipment at the YROGCF water inlet and security equipment at the YROGCF gas processing facility.

Work on refitting of power module No. 4 at the auxiliary power supply complex with the gas turbine energy unit No. 8 was started to increase electric capacity for power supply of newly constructed facilities. The facility is planned to be completely constructed in the 1st half year of 2017.

INVESTMENTS IN SOCIAL FACILITIES

The shift workers' muster station in Novy Urengoy was constructed and commissioned in 2016 for the temporary accommodation of the Company's shift personnel.

To improve the functionality of the facilities, the positive pressure ventilation system was modernised in the administration and sports building in the shift workers' settlement at YROGCF, and the heat and heat-transfer unit at the shift workers' muster station in Krasnoselkup was reconstructed.

CAPITAL EXPENDITURE FOR THE REPORTING PERIOD

The capital expenditures in 2016 amounted to 2,043 million rubles, which was 5,771 million rubles, or 74%, lower than in 2015.

The decrease in capital expenditures in the reporting period compared to the previous one was mainly caused by:

the fulfillment of the main scope of drilling and testing works, gas-dynamic and field geophysical surveys at the five exploration wells Nos. R-51, R-52, R-53, R-54, and R-55 in 2015;

TOTAL CAPITAL EXPENDITURES IN 2016

2.04 BILLION RUBLES

the fulfillment of the main scope of works on construction of the 2-nd phase of booster compressor station No. 2 at YROGCF in 2015.

CAPITAL EXPENDITURE FOR THE REPORTING PERIOD

MILLION RUBLES, WITHOUT VAT

	2016	2015	2016 / 2015 CHANGE	
	ACTUAL	ACTUAL	+/-	%
CAPITAL EXPENDITURE, TOTAL	2,043	7,814	-5,771	-74
including:				
Production drilling	345	138	207	150
Exploration studies at the field	139	848	-709	-84
Survey work for future years	53	56	-3	-5
Equipment not included into construction estimates	81	79	2	3
Construction facilities	1,407	6,685	-5,278	-79
Purchase of non-current assets (R&D program)	18	8	10	125



**THE TOTAL VALUE OF COMMISSIONED
CONSTRUCTION FACILITIES AND FIXED ASSETS
IN 2016 AMOUNTED TO**

4,290 MILLION RUBLES

COMMISSIONING OF FACILITIES FOR THE REPORTING PERIOD

MILLION RUBLES, WITHOUT VAT

	2016	2015	2016 / 2015 CHANGE	
	ACTUAL	ACTUAL	+/-	%
Capital expenditure, TOTAL	4,290	8,980	-4,690	-52
including:				
Production drilling	509	0	509	100
Exploration drilling	1,534	0	1,534	100
Equipment not included in construction estimates	81	79	2	3
Construction facilities	2,147	8,893	-6,746	-76
Non-current assets	19	8	11	138

THE ANNUAL COSTS OF CONSTRUCTION IN PROGRESS

MILLION RUBLES, WITHOUT VAT

CONSTRUCTION OF FIXED ASSETS (INDUSTRIAL CONSTRUCTION)	DECEMBER 31.2016	DECEMBER 31.2015	DECEMBER 31.2014
Construction of fixed assets (production drilling)	606	1,147	3,653
Construction of fixed assets (production drilling)	0	156	18
Construction of fixed assets (exploration drilling)	264	1,673	811
Survey work for future years	96	30	7
Purchase of non-current assets	12	10	25
Equipment to be installed	43	254	19
Total construction in progress	1,021	3,270	4,533



Constructed and commissioned in 2016:

- Gas production well No. 1902;
- Disposal well No. 3-P;
- Exploration wells Nos. 42-P, 50, 51, 52, 53, 55;
- Communications tower at the 68th km of the Urengoy-Krasnoselkup road, Yuzhno-Russkoye field – Beregovoye section;
- Operational block with a heated parking at the industrial site of the Yuzhno-Russkoye oil, gas and gas condensate field;
- Shift team muster station in Novy Urengoy;
- 6th phase „Yuzhno-Russkoye oil, gas and gas condensate field infrastructure development. Gas Processing Facility. Booster Compressor Station No. 1 (2nd phase)“.



The construction-in-progress fixed assets as of December 31, 2016 include:

- Information security system of the management information system at the YROGCF;
- Administration and welfare building at the Contractor's base at the YROGCF;
- Modernisation and refit of technical security equipment of the YROGCF facilities;
- Refit of power module No. 4 at the auxiliary power supply complex with gas turbine energy unit No. 8.

The main construction-in-progress facility in exploration drilling is well No. R-54.



SUSTAINABLE FINANCIAL POSITION IS THE BASIS FOR RELIABLE PRODUCTION

Decrease in the share of borrowed funds, early repayment of the project financing, maintaining a high level of liquidity and limiting the growth of operating costs as a result of cost control and implementation of cost optimization measures are the main results of 2016.

50,365 mln RUB

REVENUE FROM
NATURAL GAS SALES
IN 2016



MAIN FINANCIAL INDICATORS

THIS SECTION PROVIDES AN OVERVIEW OF THE FINANCIAL STATUS OF OJSC SEVERNEFTEGAZPROM AS OF DECEMBER 31, 2016 AND IS SUBJECT TO REVIEW IN CONJUNCTION WITH THE COMPANY'S ACCOUNTING STATEMENTS FOR 2016 PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS AND AVAILABLE TO ALL INTERESTED PARTIES ON THE COMPANY'S OFFICIAL WEBSITE ADDRESS:
<http://www.en.severneftegazprom.com>



9

- Main Financial Indicators
- Financial performance report indicators
- Liabilities under the Project Facility Agreement
- Cash Movement over the Reporting Period
- Key Financial Ratios

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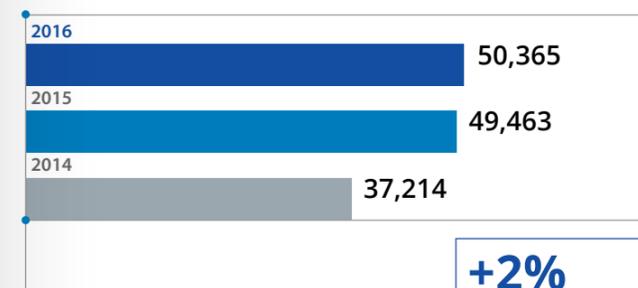
63

Main Financial Indicators

MILLION RUBLES

NAME OF INDICATOR	2016	2015	CHANGE, %
Revenue	50,365	49,463	2%
Gas production expenses*	(3,582)	(3,078)	16%
rubles/1000 m ³	(143)	(123)	17%
MET expenses	(20,277)	(19,760)	3%
Expenses for exploration activities**	(58)	(192)	-70%
Operating profit	18,611	18,664	-0.3%
Net profit	14,931	10,089	48%
Net cash from operating activities	21,150	19,888	6%
Commissioning of fixed production assets	4,290	8,980	-52%

REVENUE, MILLION RUBLES

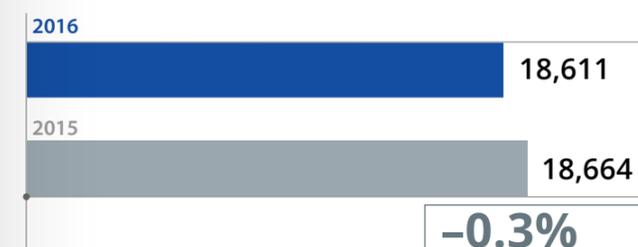


+902 MILLION RUBLES REVENUE GROWTH

+517 MILLION RUBLES EXPENSES ON GAS EXTRACTION

+4,842 MILLION RUBLES NET PROFIT

OPERATING PROFIT, MILLION RUBLES



* Gas production expenses include all expenses attributable to the cost price, excluding depreciation, tax deductions and explorations activities.

** Mineral extraction tax.

The financial results achieved by OJSC Severneftegazprom in 2016 show a strong upward trend.

The long-term agreements for the produced gas sale entered into by OJSC Severneftegazprom fully ensure a regular flow of revenue and guarantee a reliable sales market during the whole period of development of the Yuzhno-Russkoye oil, gas and gas condensate field.

The revenue growth by 2% in 2016 was driven by the gas selling price growth, which is determined by the price calculation formula in accordance with the Shareholders' Agreement and Gas Sales Agreements.

The Company managed to enhance its financial position due to lower use of borrowed funds, maintaining of a high level of liquidity, and restraining growth in operating expenses resulting from control over costs and implementation of cost reductions.

The Company's stable financial position and implementation of target attainment strategy ensured fulfillment of all production tasks on commissioning of fixed production assets in 2016 to support stable natural gas production level and to continue work on the efficient development of natural resources.



Financial performance report indicators

NAME OF INDICATOR	MILLION RUBLES		
	2016	2015	CHANGE,%
Revenue	50,365	49,463	2%
Cost of sales, including:	(30,486)	(29,527)	3%
Taxes (mineral extraction tax, property tax, others)	(21,103)	(20,589)	2%
Depreciation deductions	(5,743)	(5,668)	1%
Gas production expenses*	(3,582)	(3,078)	16%
Expenses for exploration activities	(58)	(192)	-70%
Gross profit	19,879	19,936	-0.3%
Administrative expenses	(1,268)	(1,272)	-0.1%
Sales profit	18,611	18,664	-0.3%
Interest receivable	1,239	1,356	-9%
Interest payable	(1,910)	(2,073)	-8%
Project Facility Agreement (PF)	(369)	(851)	-57%
Interest expense on accrued reserves**	(1,541)	(1,222)	26%
Other income and expenses (net)	424	(5,182)	-108%
Profit before tax	18,365	12,765	44%
Net profit	14,931	10,089	48%

* Gas production expenses include all expenses attributable to the cost price, excluding depreciation and tax deductions.

** Accrued interest expenses for retired fixed assets and restoration of natural resources. These expenses were caused by the accrual of estimated liabilities for retired fixed assets and restoration of natural resources pursuant to Russian Statutory Accounting 8/2010 "Estimated Liabilities, Contingent Liabilities and Contingent Assets".

THE RESULTS OF 2016 IN COMPARISON WITH 2015:

The increase in selling price and stable volumes of natural gas production and sales provided for a 2% revenue growth in 2016 compared to the previous year.

The increase in the cost of sales gas by 3% in 2016 was caused by the increase in tax deductions due to the growth in the MET rate for natural gas and by the increase in the costs of production activities.

The decrease in the expenditure on interest payable under the Project Facility Agreement by 57% was caused by the decrease in the debt liabilities.



REVENUE

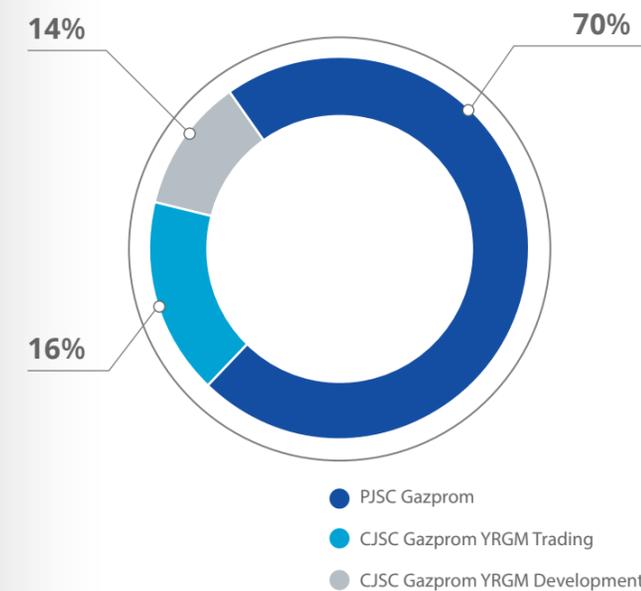
The revenue from gas sales in 2016 increased by 2% compared to the previous year and amounted to 50,365 million rubles.

The volume of natural gas sales in 2014 amounted to 24,985 million m³, which is comparable to the previous year figures.

The revenue growth was driven by the gas selling price growth by 2%, which is determined by the price calculation formula in accordance with the Shareholders' Agreement and Gas Sales Agreements.



STRUCTURE OF REVENUES FROM GAS SALES



The quality requirements for gas supplied to the Buyers are regulated in accordance with PJSC Gazprom Company Standard 089-2010 "Combustible Natural Gas Supplied and Transported via Main Gas Pipelines. Technical Conditions." This standard aims to improve product quality and to ensure the effectiveness and safety of the gas transmission systems.

VOLUME OF MARKETABLE GAS SALES

	MILLION M ³		
	2016	2015	2014
TOTAL, INCLUDING:	24,985	24,949	24,963
PJSC Gazprom	17,517	9,980	9,985
CJSC Gazprom YRGM Trading	3,928	8,732	8,737
CJSC Gazprom YRGM Development	3,540	6,237	6,241



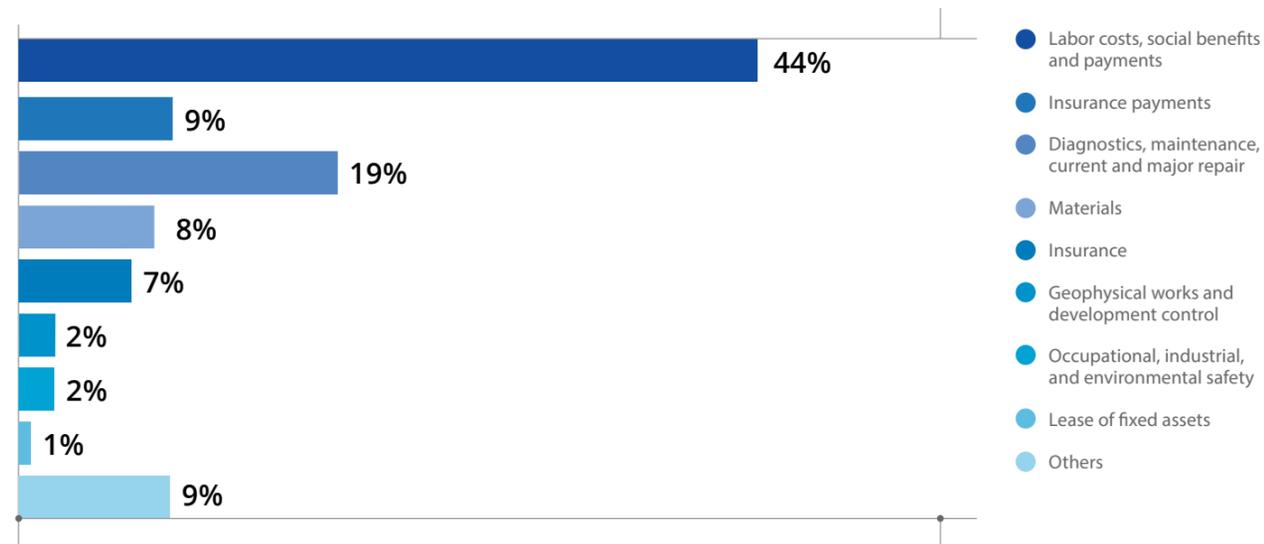
GAS PRODUCTION EXPENDITURE (excluding tax, depreciation deductions, and exploration costs):

In 2016, the Company ensured the fulfillment of all production indicators set by the Annual Work Program.

The increase in the gas production costs by 16 % in 2016 is primarily related to the increase of operational personnel and as a consequence the increase of salaries expenses, social benefits and payments by 14% and by 48% due to increase of diagnostics, technical maintenance, general repair work and capital overhaul expenditures.



STRUCTURE OF GAS PRODUCTION COSTS



THE CHANGE IN GAS PRODUCTION COSTS

MILLION RUBLES

NAME OF INDICATOR	2016	2015	CHANGE, %
Expenses for payment for labor, social benefits, and payments	1,572	1,378	14%
Insurance payments	328	291	13%
Diagnostics, maintenance, major and current repair	674	456	48%
Materials	291	257	13%
Insurance	239	203	18%
Payment for labor, social benefits, and payments Insurance payments to the fund for payment for labor	76	90	-16%
Diagnostics, maintenance, and current repair Materials Insurance	59	79	-25%
Geophysical work and development control Occupational, industrial, and environmental safety Lease of fixed assets Others	24	27	-11%
Lease of fixed assets	24	27	-11%
Other	319	297	7%
TOTAL	3,582	3,078	16%
Exploration Activities	58	192	-70%
TOTAL, including exploration costs	3,640	3,270	11%

TAXES (excluding income tax)

MILLION RUBLES

NAME OF INDICATOR	2016	2015	CHANGE, %
Mineral extraction tax	20,277	19,760	3%
Property tax	824	814	1%
Other taxes	2	15	-87%
AGGREGATE TAXES (excluding income tax)	21,103	20,589	2%

The main part (96%) of tax liability relates to the mineral extraction tax (MET) deductions.

A calculation formula of the MET rate for natural gas was established in accordance with the Tax Code of the Russian Federation .

The increase in the MET expenses by 3% in 2016 was caused by the growth of the weighted average annual rate of this tax (from 789 rubles per thousand m³ of natural gas in 2015 up to 807 rubles per thousand m³ in 2016).



ASSETS

THE COMPANY'S ASSETS FOR 2016 DECREASED BY 29%, OR

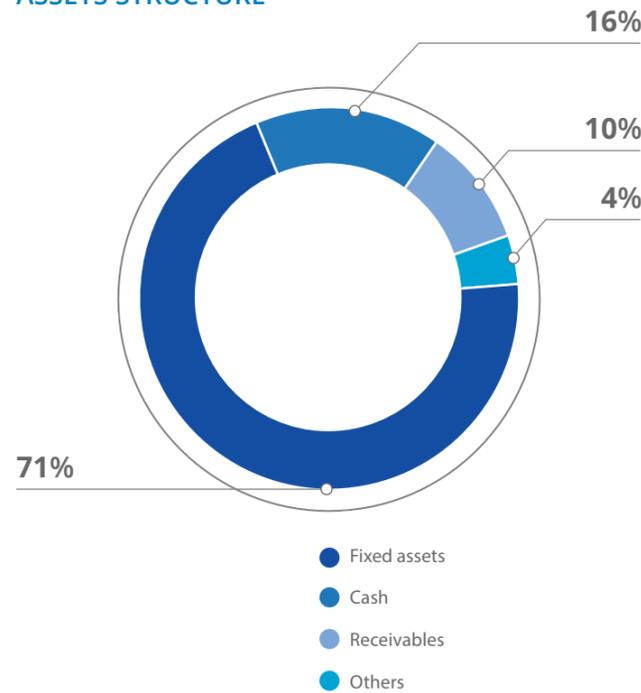
26 BILLION RUBLES

AND AT THE END OF 2016 AMOUNTED TO

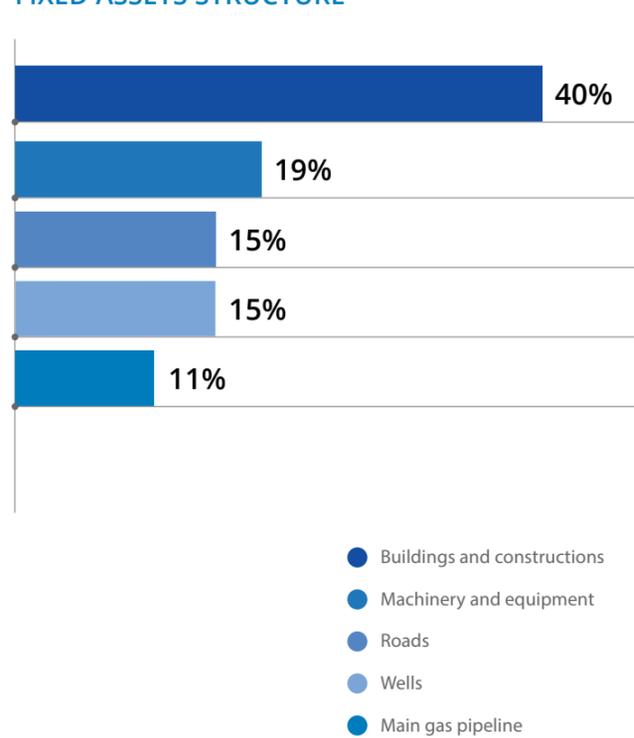
63 BILLION RUBLES



ASSETS STRUCTURE



FIXED ASSETS STRUCTURE



CHANGE IN THE COMPANY'S ASSETS FOR THE REPORTING PERIOD

MILLION RUBLES

	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015	CHANGE, %
NON-CURRENT ASSETS	46,592	50,532	-8%
Intangible assets	10	13	-22%
Research and development results	22	24	-6%
Intangible development assets	-	2	-100%
Fixed assets	44,702	48,490	-8%
Deferred tax assets	1,180	970	22%
Other non-current assets	678	1,033	-34%
CURRENT ASSETS	16,623	38,323	-57%
Inventories	653	805	-19%
Receivables	6,050	6,870	-12%
Financial investments	-	3,367	-100%
Cash	9,860	27,230	-64%
Other current assets	60	49	22%
TOTAL:	63,215	88,855	-29%

The following items of the Company's assets changed in 2016:

- The cost of fixed assets decreased by 3,788 million rubles, or by 8%, due to the increase in depreciation;
- The volume of cash decreased by 17,370 million rubles, or by 64%, due to debt repayment under the Project Facility Agreement in August 2016 and the distribution of dividends for the first six months of 2016;
- The receivables decreased by 820 million rubles, or by 12%, due to the reduced debt of gas buyers resulting from the decrease in the gas selling price, and the full payment for the work completed and services provided;
- The financial investments decreased by 3,367 million rubles, or by 100%, due to debt repayment under the Project Facility Agreement and the closing of the Debt Service Reserve Accounts (DSRA).

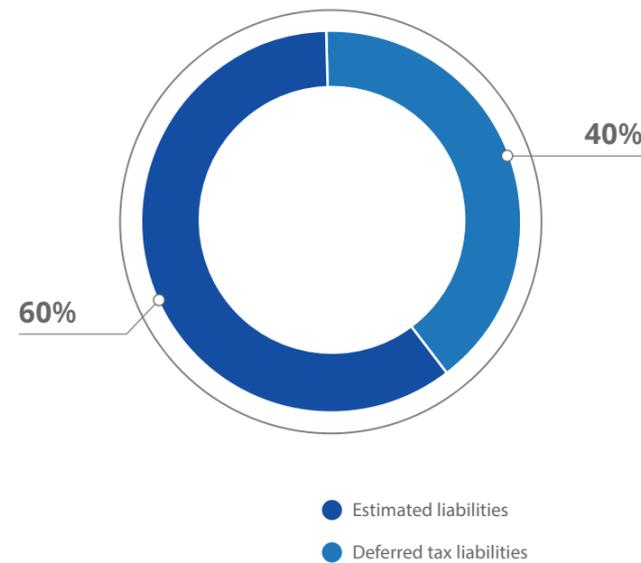


LONG-TERM AND SHORT-TERM LIABILITIES

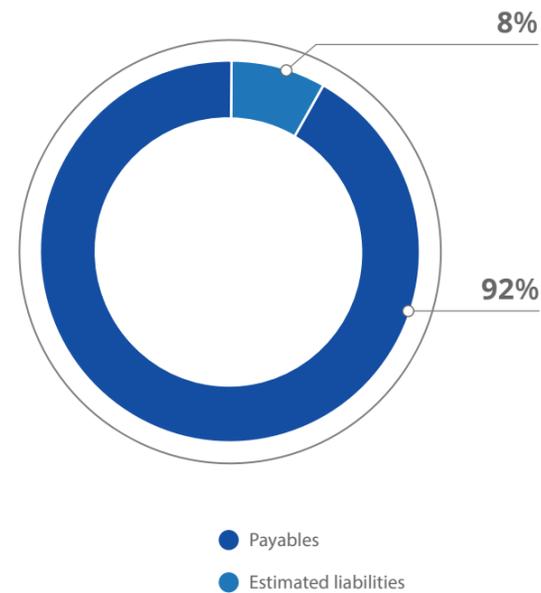
THE AMOUNT OF THE LONG-TERM DEBT LIABILITIES IN FOREIGN CURRENCY DECREASED BY **100%**



LONG-TERM LIABILITIES TOTAL: 8.2 BILLION AS OF DECEMBER 31, 2016



SHORT-TERM LIABILITIES TOTAL: 6.3 BILLION AS OF DECEMBER 31, 2016



LONG-TERM AND SHORT-TERM LIABILITIES

MILLION UNITS

	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015	CHANGE, %
LONG-TERM LIABILITIES	8,186	26,417	-69%
Bank loans due and payable beyond 12 months, total in million rubles, including:	0	19,789	-100%
million dollars	0	142	-100%
million euros	0	102	-100%
million rubles	0	1,293	-100%
Deferred tax liabilities	3,236	3,308	-2%
Estimated liabilities	4,950	3,320	49%
SHORT-TERM LIABILITIES	6,272	14,758	-57%
Bank loans due and payable within 12 months, total in million rubles, including:	0	7,778	-100%
million dollars	0	55	-100%
million euros	0	39	-100%
million rubles	0	584	-100%
Payables	5,773	5,985	-4%
Estimated liabilities	499	995	-50%
TOTAL:	14,458	41,175	-65%

The following items of the Company's assets changed in 2016:

Fulfillment of obligations under the Project Facility Agreement in connection with full early repayment of debt by offsetting cash balance placed on reserve accounts in a foreign service bank (ING Bank NV, London), while maintaining production and economic indicators at the required level.

In connection with full early repayment of the debt under the Project Facility Agreement dated March 16, 2011 the Company released pledges and securities. As of September 21, 2016, the encumbrance was properly removed from the movables, and as of October 25, 2016 – from the immovables of the Company previously provided as pledge.

In particular, due to lifting of the restriction on the amount of distributions for the benefit of the shareholders (no more than 30% of free cash remaining at the disposal of the Company based on the results of the financial year), the Company conducted corporate events to prepare the necessary documents for declaring dividends on all allotted shares of OJSC Severneftegazprom based on the results of the first half of 2016. The extraordinary General Meeting of Shareholders of OJSC Severneftegazprom on October 5, 2016 decided to pay out dividends in the amount of 8,500,000 rubles from the profit. As of November 24, 2016, the Company fully implemented this decision.

The increase in long-term estimated liabilities by 1,630 million rubles, or by 49%, is due to the annual revaluation of the estimated obligations for the decommissioning of fixed assets and the restoration of natural resources.



Liabilities under the Project Facility Agreement

In 2011, OJSC Severneftegazprom raised a syndicated loan from a consortium of international banks and GPB Bank (JSC) for the total amount equivalent to 1.1 billion euros to finance the project of development of the Yuzhno-Russkoye oil, gas and gas condensate field with maturity in December 2018.

The structure of the raised funds has about 86% of debt in foreign currency (US dollars and euros).

It was the first deal in the Russian financial market in the form of on-shore project financing for the companies belonging to the oil and gas production sector.

The loan terms stipulate a two-stage mechanism of repayment of the loan in accordance with:

A basic schedule stipulating the debt to be finally repaid in December 2018;

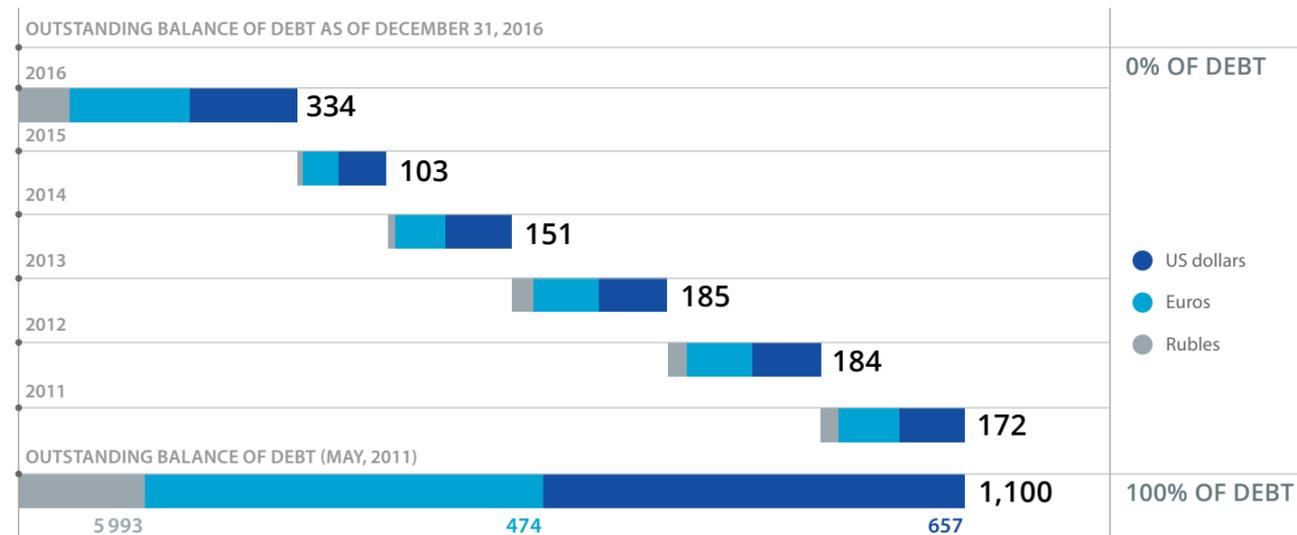
A tailor-made schedule of accelerated repayment of the loan based on the possibility of early repayment on the basis of the free cash flow at the end of the reporting year (Cash Sweep Repayment).

For the purposes of effective debt management, the Company primarily uses a form of accelerated repayment of loans.

As of the first six months of 2016 the Company fulfilled its obligation to repay part of the principal debt under the project financing, ahead of debt repayment schedule set by the Facility Agreement. Part of the principal debt was paid prematurely using the Cash Sweep Repayment Amount. Sums spent for repayment of loans denominated in three currencies amounted to: 61.3 million euros; 85.3 million US dollars; 814.1 million rubles.

In the beginning of August 2016 OJSC Severneftegazprom following the shareholders' consent voluntarily and prematurely repaid the rest of its debt of about 194 million euros, 2.5 years earlier than the maturity set by the Facility Agreement (December 31, 2018). Sums spent for multi-currency loan repayment amounted to: 80.1 million euros; 111.5 million US dollars; 1,063.3 million rubles. Considering the cash flow forecast for 2016, the Company exercised its right of full early debt repayment under the Project Facility Agreement by setting-off of balances on reserve accounts in a foreign servicing bank (ING Bank N.V., London) keeping its production and economic performance at the required level.

LOAN REPAYMENT DYNAMICS*:



* Conversion into euro is made at the mean exchange rate for the period.



PRINCIPAL DEBT AMOUNT

MILLION UNITS

PRINCIPAL DEBT AMOUNT	AS OF DECEMBER 31, 2015	AS OF DECEMBER 30, 2016	AS OF DECEMBER 31, 2016
Tranche in US dollars	197	111	0
Tranche in euros	141	80	0
Tranche in rubles	1,877	1,063	0
Outstanding balance on the loan, %	30	17	0

MEAN ANNUAL INTEREST RATES ON THE LOANS

%

INTEREST RATE, %	2016	2015	DEVIATION 2016/2015
For tranche in euros	2.3	2.5	-0.2
For tranche in US dollars	3.1	2.8	0.3
For tranche in rubles	11.4	11.4	0

INTEREST ON THE LOAN

MILLION RUBLES

NAME OF INDICATOR	2016	2015	DEVIATION 2016/2015
Interest under the Project Facility Agreement	369	851	-482

Due to early repayment of project financing all related financial and informational covenants were removed and transaction pledges and securities were released successfully.

Over the debt servicing period the Company gained a reputation of a reliable and fair borrower which fulfills its obligations towards the pool of creditors and shareholders regularly and in due time.

NET DEBT

MILLION RUBLES

NAME OF INDICATOR	2016	2015	CHANGE %
Current portion of long-term facilities and loans	0	7,778	-100%
Long-term facilities and loans	0	19,789	-100%
Cash and cash equivalents	(9,860)	(30,597)	-68%
Net debt	0	(3,030)	-100%



EQUITY AND RESERVES

MILLION RUBLES

	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015	CHANGE, %
CHARTER AND ADDITIONAL CAPITAL, RESERVES	25,188	25,188	–
Charter capital	40	40	–
Revaluation of non-current assets	47	47	–
Additional capital	25,099	25,099	–
Reserve capital	2	2	–
PROFIT	23,569	22,491	5%
Retained earnings	8,638	12,402	–
Profit for the reporting period	14,931	10,089	–
TOTAL EQUITY AND RESERVES	48,757	47,679	2%

In 2016, the Company's equity and reserves increased by 1,078 million rubles, or by 2%, due to the positive financial results for 2016 in the amount of 14,931 million rubles.

Cash Movement over the Reporting Period

THE NET CASH FROM OPERATING ACTIVITIES INCREASED BY 6% AND AMOUNTED TO

21,157 MILLION RUBLES

NAME OF INDICATOR	2016	2015	DEVIATION 2016/2015	CHANGE, %
Net cash from operating activities	21,150	19,888	1,262	6%
Net cash used in investment activities	768	(2,043)	2,811	138%
Net cash used in financial activities	(39,107)	(9,281)	(29,826)	–321%



Key Financial Ratios

KEY FINANCIAL STABILITY RATIOS

RATIO	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF RATIOS
Equity ratio	0.77	0.54	0.23	Equity to total capital
Financial leverage ratio	0.30	0.86	–0.56	Borrowed capital to equity
Investment coverage ratio	0.90	0.83	0.07	Equity and long-term debt to total capital ratio
Capital mobility ratio	0.04	–0.06*	0.10	Own current assets to equity sources
Current assets mobility ratio	0.59	0.80	–0.21	Financial leverage ratio

* For calculation of ratios, the long-term liabilities under the Project Facility Agreement were factored in when determining the Company's own current assets. Without the long-term liabilities under the project financing, the capital mobility ratio was 0.04 (as of December 31, 2015, 0.36).

KEY LIQUIDITY RATIOS

RATIO	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF RATIOS
Current (general) liquidity ratio	2.65	2.61	0.04	Current assets to short-term liabilities. It shows coverage of short-term liabilities by all current assets
Quick (mid-term) liquidity ratio	2.54	2.56	–0.02	Liquid assets to short-term liabilities. It shows coverage of short-term liabilities by cash, short-term financial assets, and short-term receivables
Total liquidity ratio	1.57	2.09	–0.52	Highly-liquid assets to short-term liabilities. It shows the part of short-term liabilities that may be repaid immediately

PROFITABILITY ANALYSIS

PROFITABILITY INDICATOR	2016	2015	CHANGE FOR THE PERIOD
Profit margin (in kopecks per ruble of revenues)	37.0	37.8	–0.9
EBIT profit margin, %	40.3	30.1	10.2
Net profit margin (in kopecks per ruble of revenues)	29.7	20.5	9.2
Interest coverage ratio (ICR)	10.6	7.2	3.4



CARING FOR FUTURE GENERATIONS IS THE BASIS OF SUSTAINABLE BUSINESS

OJSC Severneftegazprom shares the principles of responsible business and develops a sustainable development strategy.

THE SUSTAINABLE DEVELOPMENT REPORT IS COMPILED ANNUALLY IN ACCORDANCE WITH THE INTERNATIONAL STANDARD

GRI G4

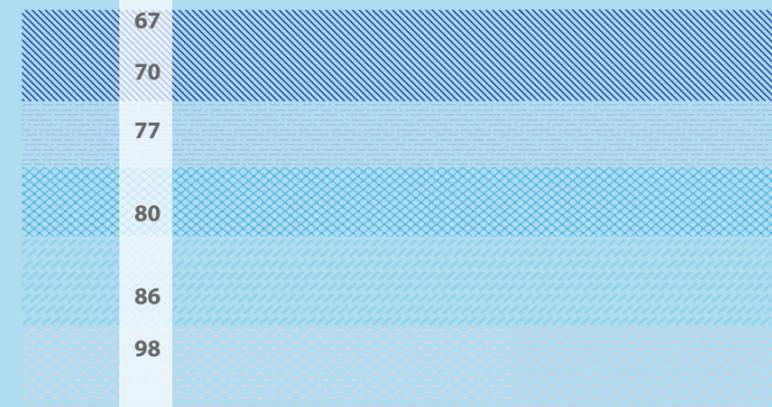
SUSTAINABLE DEVELOPMENT

THE COMPANY MAKES A SIGNIFICANT CONTRIBUTION TO THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE AREAS OF PRESENCE, PRESERVATION AND MAINTENANCE OF THE ENVIRONMENT. SAFETY OF PRODUCTION AND CARE FOR EMPLOYEES ARE ALSO AMONG THE MOST IMPORTANT TASKS IN THE FIELD OF SUSTAINABLE DEVELOPMENT.

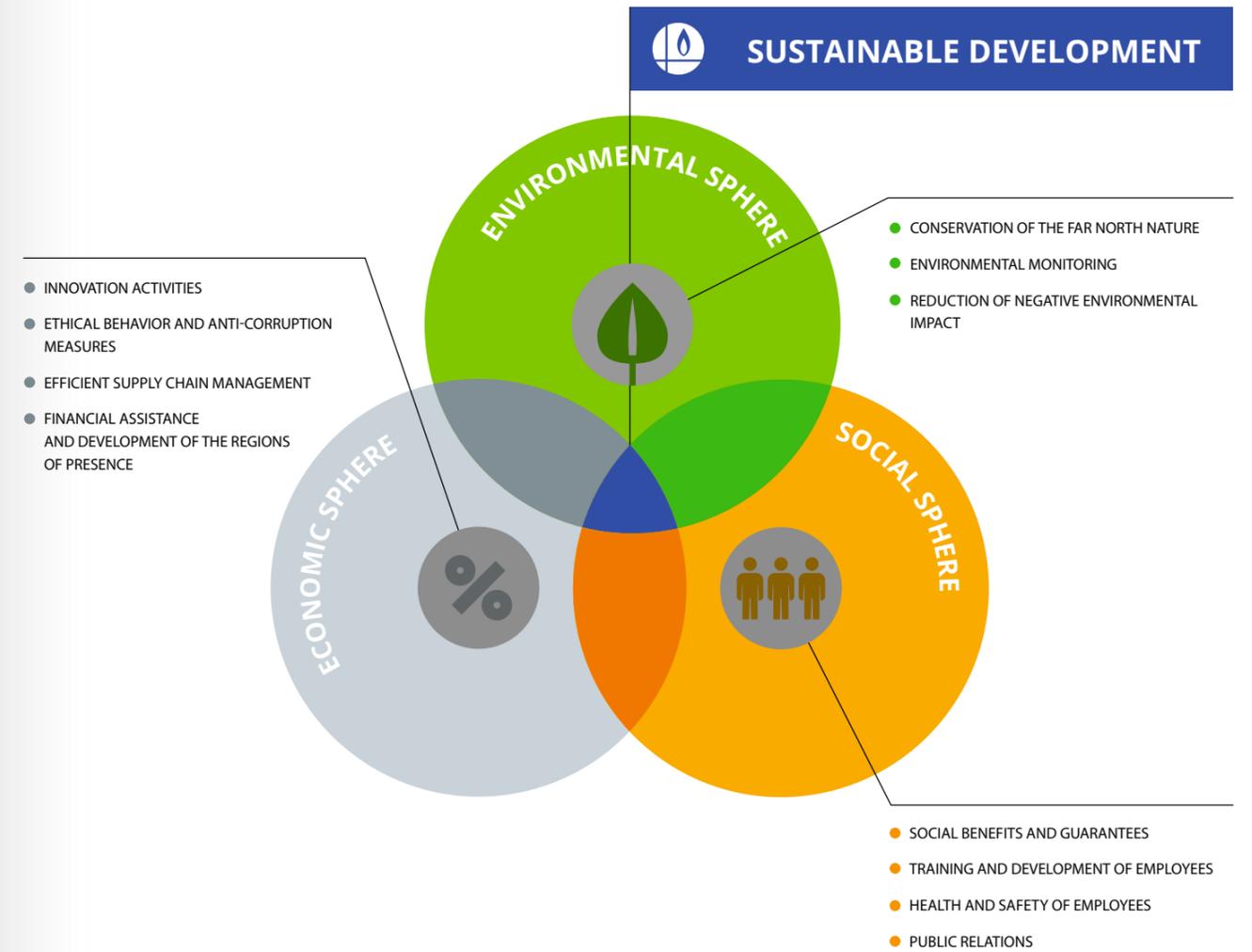


10

- Defining the Priorities
- Environmental Protection
- Energy Consumption and Saving
- Personnel and Operational Safety
- HR and Social Policy
- Interactions with Stakeholders



Defining the Priorities



OJSC Severneftegazprom conducts its work in accordance with the concept of sustainable development accepted in the Russian Federation and in the international community, which provides for a balanced approach to solving social and economic problems, problems of preservation of favorable environment and natural resource potential in order to meet the needs of current and future generations.

Starting from 2011, the Company has been annually disclosing non-financial information in the field of sustainable development in the Annual Reports. In the preparation of the Report, the Company is primarily oriented towards the interests of stakeholders that may affect the Company's activities or

may be affected by the Company's activities. The Report on sustainable development in the year 2016 was created based on monitoring and definition of key topics in the process of interaction with stakeholders.

Based on the results of analysis of the information obtained at the end of 2016, the meeting of the Work Group for Sustainable Development was held, during which material aspects of the Company's Annual Report 2016 were approved.

While compiling the non-financial reporting, the Company followed the standards of the fourth generation of the Global Reporting Initiative (GRI G4), as well as standards of the Oil and Gas Sector Disclosures.



Based on the results of the assessment performed by the Work Group, the following key aspects were identified:

- Employment;
- Occupational Health and Safety;
- Training and Education;
- Indigenous People Rights;
- Assets Integrity and Technological Safety;
- Energy;
- Water;
- Emissions;
- Effluents and Waste;
- Economic Performance;
- Procurement Practices;
- Field Production.

Sustainable development activities are among the Company's strategic objectives. A number of positive results were achieved over the reporting period. This, primarily, includes high performance indicators and fail-safe operation of the field.

The Report reviewed both essential and complementary aspects providing the most complete picture of the Company's impact on the economy, social sphere and environment. The table containing a full list of aspects covered by the Report and the pages containing relevant indicators are presented in Appendix 2 "GRI Content Index" on page 145–151.

The Report for 2016 corresponds to the "Core" option of the GRI G4 Guidelines. The chosen KPIs in the sphere of sustainable development disclosed in the Report, underwent an independent verification by NP Consult, LLC. The Statement on independent verification is presented on page 152–153 of this Report.

While preparing the Report, the data of managerial accounting were used as well as of statistical and accounting reporting of OJSC Severneftegazprom formed in accordance with the Russian Accounting Standards (RAS) and published on the Company's official website at: www.en.severneftegazprom.com





Environmental Protection

Continuous improvement of environmental safety approaches enables the Company to rationally utilize natural resources and reduce the negative impact on the environment.

The Company uses the most advanced international environmental experience, follows the environmental standards established by the Russian legislation, and strictly adheres to the principle of respect for the environment.

In order to implement this principle, the Company is continuously taking measures aimed at:

ensuring efficient utilization of resources and reducing the negative impact on the environment;

increasing the energy efficiency of production processes at all stages thereof;

preventing pollution, which means the priority of preventive actions aimed at the prevention of negative impact on the environment;

involving all the Company's staff into the activities designed to reduce environmental risks;

improving the environmental management system and ensuring better performance in the field of environmental protection.

Within the framework of the integrated management system, the Company carries out operational environmental monitoring at its facilities, which ensures compliance with the environmental legislation requirements and established standards, as well as rational use of natural resources.

The Company's environmental management system certified in accordance with ISO 14001 is a practical tool for implementing the principles of sustainable development in the field of environmental protection. In 2016, OJSC Severneftegazprom switched to a new version of this standard.

In the system of environmental protection management, OJSC Severneftegazprom attributes great importance to the continuous monitoring of the key environmental indicators in the area of operation of the main production facilities. The Company conducts operational environmental monitoring in compliance with the Program of environmental monitoring of the territory of the Yuzhno-Russkoye field for the period of 2016 to 2021, which provides an assessment of anthropogenic load on the environment and acquisition of unbiased information about the state of the environment.

These studies show that during the reporting period no evidence of environmental deterioration resulting from the Company's operational activities was detected. The ecological state of the territory of the Yuzhno-Russkoye field remains consistently positive.

OUTLOOK FOR THE FUTURE IS FAVORABLE. ACCORDING TO THE CALCULATIONS, THE STABLE ECOLOGICAL SITUATION OVER THE FIELD WILL REMAIN UNCHANGED IN THE MEDIUM TERM. THE PROBABILITY OF PRESERVATION OF THE CURRENT ENVIRONMENTAL WELL-BEING UNDER THE CONDITIONS OF THE PRESENT-DAY LEVEL OF ANTHROPOGENIC IMPACT AND LACK OF EMERGENCY SITUATIONS, WHICH THE COMPANY CONSTANTLY ENDEAVORS TO PREVENT, IS ASSESSED AS HIGH.



OPERATIONAL ENVIRONMENTAL MONITORING IS CARRIED OUT IN THE FOLLOWING AREAS:

IMPACT ON ATMOSPHERIC AIR;

WATER USE AND IMPACT ON WATER BODIES;

WASTE MANAGEMENT;

IMPACT ON SOIL;

IMPACT ON FAUNA AND HABITAT;

IMPACT ON FORESTS AND FLORA.



POLLUTANT EMISSIONS

Protection of atmospheric air is one of the most significant areas of environmental protection activities of OJSC Severneftegazprom.

The Company regularly conducts research to assess and record greenhouse gas emissions volume. According to figures for 2016, the overall amount of pollutant emissions was 2.313 thousand tons, which is 0.594 thousand tons more than in 2015. This is due to the increase of fuel gas consumption for compression and scheduled maintenance activities at gas collectors.

Direct emissions include the emissions deriving from sources owned by the Company. The volume of direct greenhouse gas emissions in 2016 amounted to 327.187 thousand tons in CO₂ equivalent. Greenhouse gas emissions intensity ratio amounted to 12.9.

Indirect emissions derive from sources belonging to other organizations. Under applicable legislation, the Company is not required to keep count of indirect emissions. In order to calculate indirect emissions, the Company applies the Wintershall Holding GmbH Occupational Health and Safety

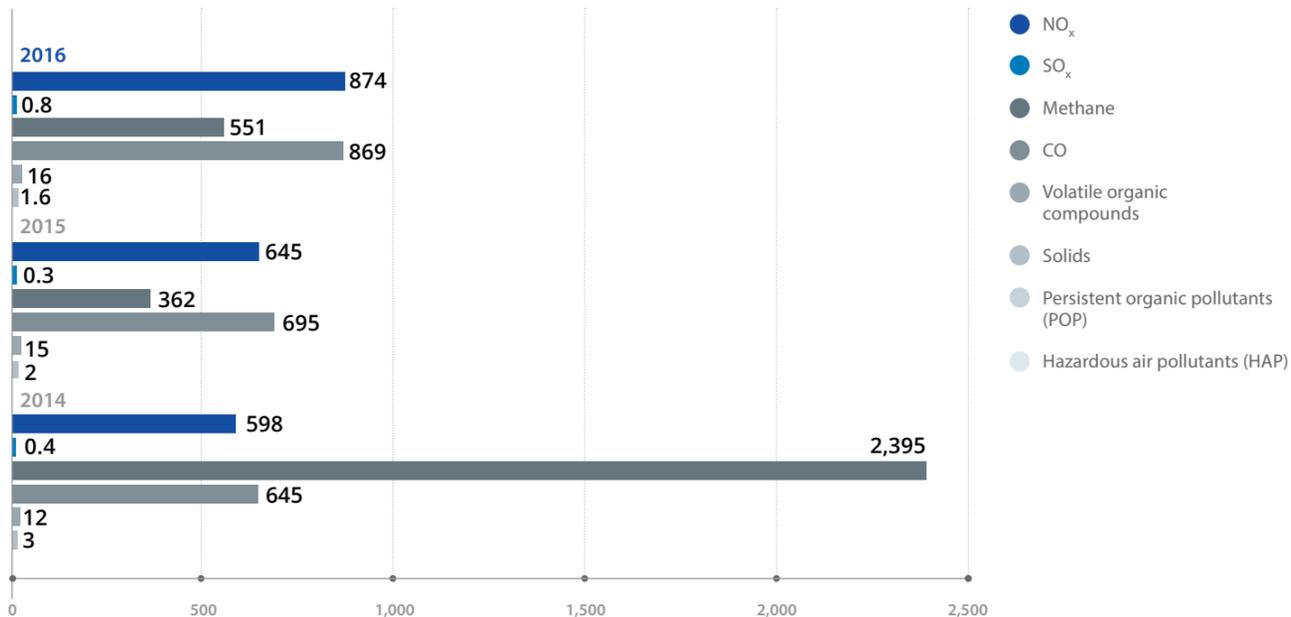
Assessment System (OHSAS) methodology, according to which no indirect emissions have been recorded during the reporting period. This methodology suggests keeping records of indirect greenhouse gas emissions at the production facilities only.

One of the commitments voluntarily undertaken by OJSC Severneftegazprom under the Environmental Policy is to implement all possible measures aimed at preventing negative impact on the environment. Reducing greenhouse gas emissions to mitigate climate change has been identified by the world community as one of the top-priorities.

The Company is continuously developing measures to reduce greenhouse gas emissions in the atmosphere. The innovative projects developed and implemented by OJSC Severneftegazprom specialists ensured significant reduction in greenhouse gas emissions.

The Company managed to avoid additional direct emissions of methane greenhouse gases totalling 38 thousand tons in CO₂ equivalent, thanks to the pioneering work of OJSC Severneftegazprom employees. In 2016, the Company took third place in the national competition "Climate and Responsibility" for the best management

STRUCTURE OF POLLUTANT EMISSIONS, TONS



of activities focused on the reduction of greenhouse gas emissions. The competition was held at the initiative of Etalon Association, with the support of the Ministry of Economic Development of the Russian Federation and All Russian Public Organization "Delovaya Rossiya". Participants included 15 constituent entities of the Russian Federation, 40 municipal divisions and 51 companies.

OJSC Severneftegazprom was among the winners in the category "Best Company in the Field of Reducing Greenhouse

Gas Emissions among Production Companies Emitting over 150 thousand tons of CO₂- equivalent per year".

Following the results of operational monitoring and laboratory research, no emissions exceeding the established maximum permissible standards were registered in 2016 with regard to all emission sources.

No emergency pollutant emissions to atmosphere have been registered either.

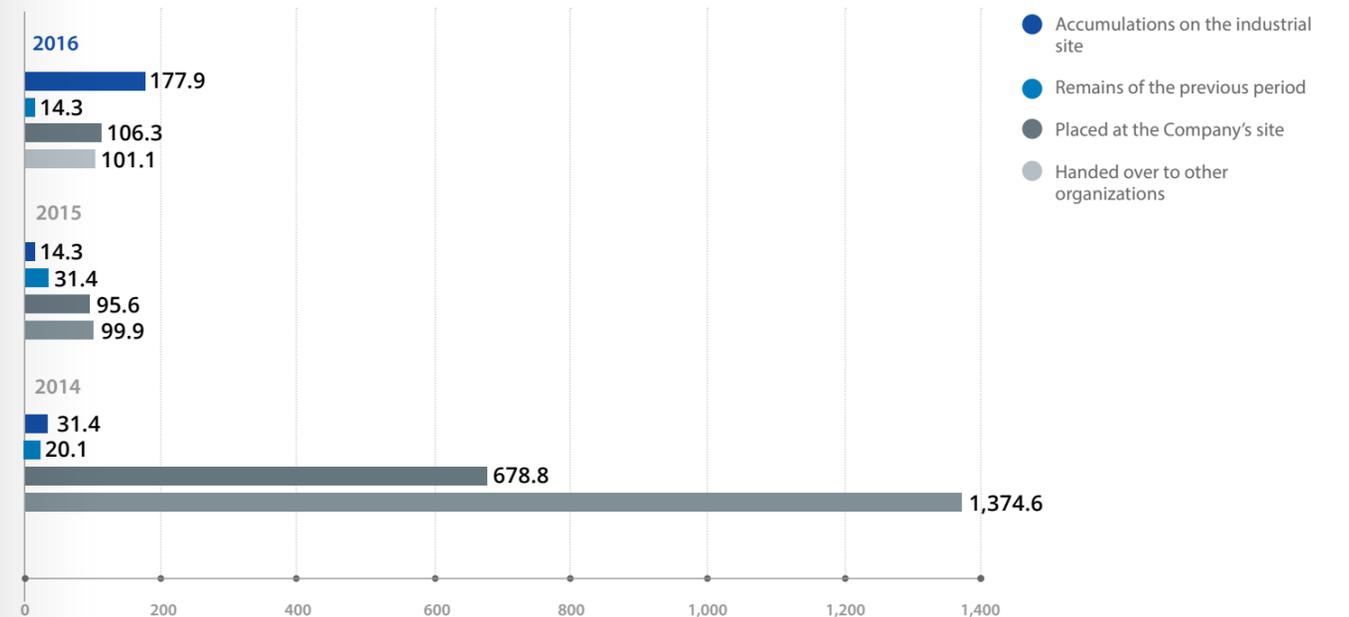
WASTE RECYCLING

During the implementation of environmental protection programs, considerable attention is paid to waste recycling. Therefore, in the course of its operational activities, OJSC Severneftegazprom is striving to introduce the most modern practices and technologies aimed at minimizing the amount of wastes, and it is steadily improving its wastes recovery and recycling methods.

THE OVERALL WEIGHT OF WASTES FOR 2016 AMOUNTED TO

371 TONS

WEIGHT OF THE COMPANY'S HAZARDOUS AND NON-HAZARDOUS WASTES FOR 2016, TONS





LAND RECULTIVATION

In order to mitigate the impact of its operational activities on the surface soil, OJSC Severneftegazprom seeks to maximize the efficiency of measures aimed at environmental remediation. The Company regularly carries out work on the rehabilitation of temporarily occupied lands focused on the recovery of their original condition.

IN 2016, THE COMPANY TOOK MEASURES TO RECULTIVATE

18 HECTARES

OF DISTURBED LAND

The overall weight of wastes for 2016 amounted to 371 tons. This increase in waste generation results from the commissioning of new facilities, such as Flottweg wastewater treatment facility, recreational facility and living quarters No. 5 at the shift camp.

Pursuant to the signed agreements, hazard class I-IV waste that is not subject to disposal, as well as hazard class V waste categorized as secondary resources were transferred to the third parties for utilization, neutralization or disposal.

In 2016, the following waste was disposed: hazard class I – 0.159 tons, hazard class II – 8.913 tons, hazard class III – 10.969 tons, hazard class IV – 56.235 tons, hazard class V – 24.688 tons. 14.3 tons of waste accumulated in 2015 is considered in the data.

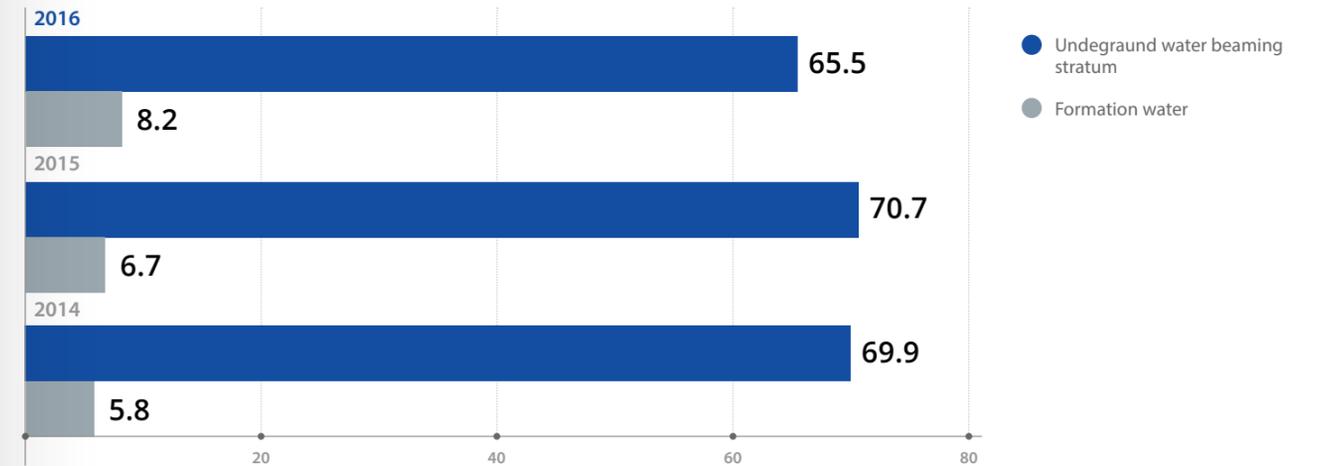
WATER SUPPLY

Water resources of Russia are considered to be among the largest in the world, but that fact does not release domestic gas companies from the obligation to use them rationally and carefully.

In order to meet its industrial and domestic needs, the Company takes water from groundwater horizons. No water is taken from surface water bodies. During the reporting period, 73.7 thousand m³ of water were extracted from groundwater sources. Thereof 65.5 thousand m³ were taken from the underground water horizon, and 8.2 thousand m³ were extracted together with natural gas (condensate).



TRENDS OF WATER EXTRACTION FROM UNDERGROUND SOURCES FOR THE PERIOD FROM 2014 TO 2016, THOUSAND M³



The Company utilizes a water recycling system, which re-uses the treated water. This system supplies water to sports, recreation, and processing facilities operating within the area of the Yuzhno-Russkoye oil, gas and gas condensate field. As a result of the application of this system, the total volume of re-used water in 2016 amounted to 822.89 thousand m³.

In general, the volume of wastewater discharge into the receiving aquifer for the reporting period amounted to 67.96 thousand m³, that is fully consistent with the technological project and specifically: formation water without use – 8.26 thousand m³, domestic and industrial wastewater – 59.70 thousand m³.

The Company regularly conducts laboratory and instrumental control over the surface, underground, ground and waste water, upgrades and reconstructs production capacities in order to improve efficiency of existing treatment facilities and to introduce new technologies for the raw and waste water treatment.

Effluents are discharged into the Cenomanian aquifer by injecting wastewater into disposal wells at the wastewater injection site. Before injection, domestic wastewater is treated by the biological treatment plant series KSkomplekt II-150-M with a capacity of 150 m³/day, industrial wastewater is treated by a Flottweg treatment unit with a maximum capacity of 15 m³/hour. The quality of wastewater sent for injection complies with the specified requirements.



KEY INDICATORS OF THE COMPANY'S ENVIRONMENTAL PROTECTION ACTIVITIES

No.	NAME OF INDICATOR	UNIT	2016	2015	DEVIATION FROM 2015	
					+/-	+/-, %
1	Gross emissions into the atmosphere – total	thousand tons	2.313	1.719	+0.594	+35
	including:					
	within permissible limits	thousand tons	2.145	1.573	+0.572	+36
	above permitted limits	thousand tons	0.168	0.146	+0.022	+15
	including: emissions of methane CH ₄	thousand tons	0.551	0.361	+0.190	+53
2	Specific emissions of NOx (gross emissions of NOx per unit of fuel gas)	thousand tons / million m ³	0.000035	0.000026	+0.000009	+35
3	Water withdrawal – total	thousand m ³	81.54	84.52	-2.98	-4
4	Water discharge – total	thousand m ³	75.88	69.77	+6.11	+9
5	Waste per year – total	thousand tons	0.371	0.178	+0.193	+108
6	Share of waste sent for disposal (% of waste produced during the reporting period taking into consideration waste at the beginning of the year)	%	40	46	-6	-13
7	Recultivated land area per year	hectare	18	22	-4	-18
8	Expenses for environmental protection	thousand rubles	292,436	121,413	+171,023	+141
9	Current (operational) expenses for environmental protection measures	thousand rubles	54,571	42,980	+11,591	+27
10	Expenses for the environment protection services, including protection and recultivation of land	thousand rubles	77,501	74,210	+3,291	+4
11	Expenses for development and approval of environmental documents	thousand rubles	1,970	237	+1,733	+731
12	Expenses for production environmental monitoring and production ecological control	thousand rubles	2,846	4,835	-1,989	-41
13	Expenses for major repairs of fixed assets involved in environmental protection	thousand rubles	0	0	-	-
14	Payment for negative environmental impact	thousand rubles	277	436	-159	-37
	including:	thousand rubles				
	within permissible limits	thousand rubles	199	279	-80	-29
	above permitted limits	thousand rubles	78	157	-79	-50
15	Investments into fixed capital (exploration) for environmental protection	thousand rubles	160,087	4,223	+155,864	+3,691
16	Number of inspections by state environmental agencies	ea.	2	0	+2	+100
17	Number of violations of environmental regulations (according to inspection acts of state environmental agencies)	ea.	0	0	-	-
18	Fines paid for violation of environmental legislation	thousand rubles	0	100	-100	-100
19	Claims for environmental damage compensation	ea.	0	0	-	-
	including:					
	as a result of accidents	ea.	0	0	-	-
20	Environmental damage claimed for compensation	thousand rubles	0	0	-	-
	including:					
	as a result of accidents	thousand rubles	0	0	-	-

Energy Consumption and Saving

In order to reduce energy consumption, the Company carries out regular research and implements measures to introduce energy-saving technologies and to increase energy efficiency.

In 2016, an external compliance audit of the Energy Management System to review the Company's adherence to the requirements of the international standard ISO 50001 was successfully completed, following the results of which the system was declared effective. The audit did not reveal any cases of non-compliance. The system is aimed at ensuring the continuous improvement of the consumption indicators, increased efficiency of use of the available energy sources, and at reducing greenhouse gas emissions and other environmental impacts. The scope of application of the Energy Management System includes main and auxiliary processes of production, preparation and sales of hydrocarbons.

The activities aimed at improvement of energy efficiency in OJSC Severnftgazprom are governed by the Energy Management System Regulation, as well as by the Energy Policy, which formulates strategic objectives, and sets out main areas of activities in the field of energy performance improvement, as well as specific targets and indicators expected to be achieved in 2014–2017*.

* Energy Policy of OJSC Severnftgazprom is open and available to all stakeholders on the Company's website (<http://www.en.severnftgazprom.com/>).



ENERGY CONSUMPTION

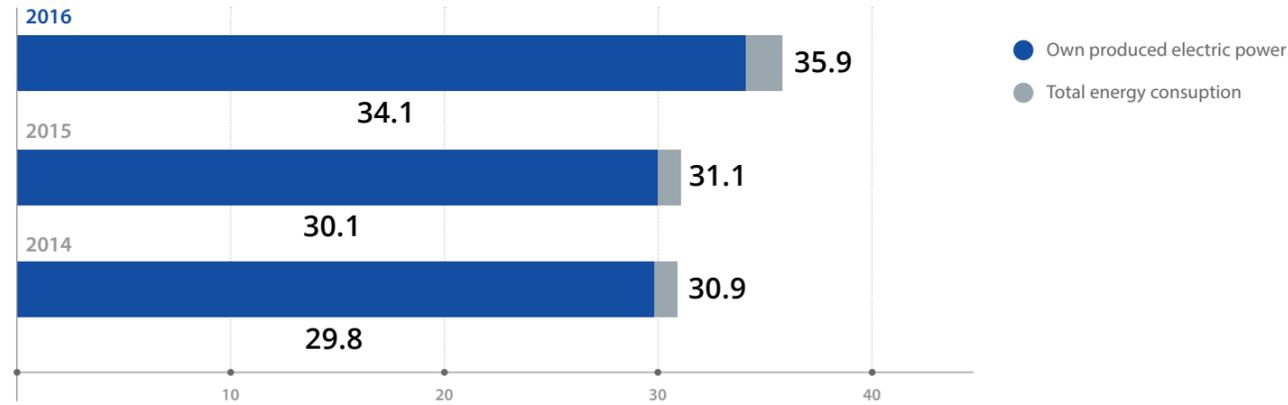
In 2016, as part of the Energy Management System the Company took measures to reduce energy consumption by substituting incandescent lamps with diode lamps as well as by installing frequency inverters on the electric motors of plunger pumps for the injection of wastewater into formation.

IN 2016, THE COMPANY MANAGED TO SAVE MORE THAN

1 MILLION KW·h

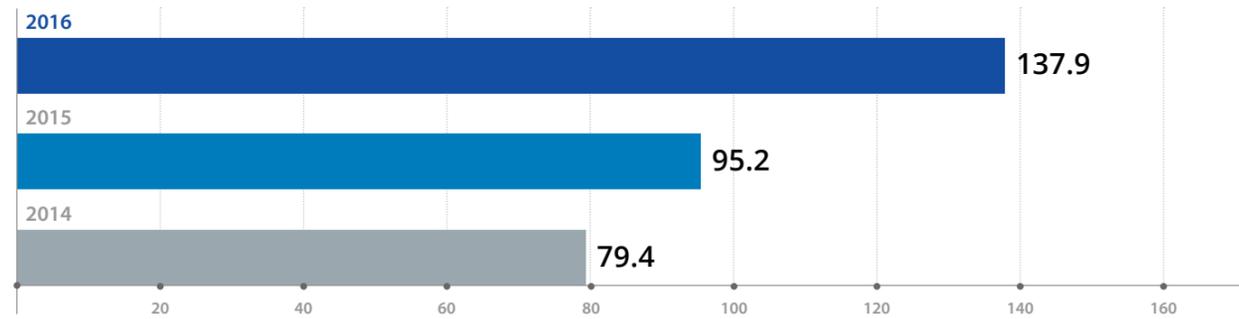


ENERGY CONSUMPTION, MILLION KW·H



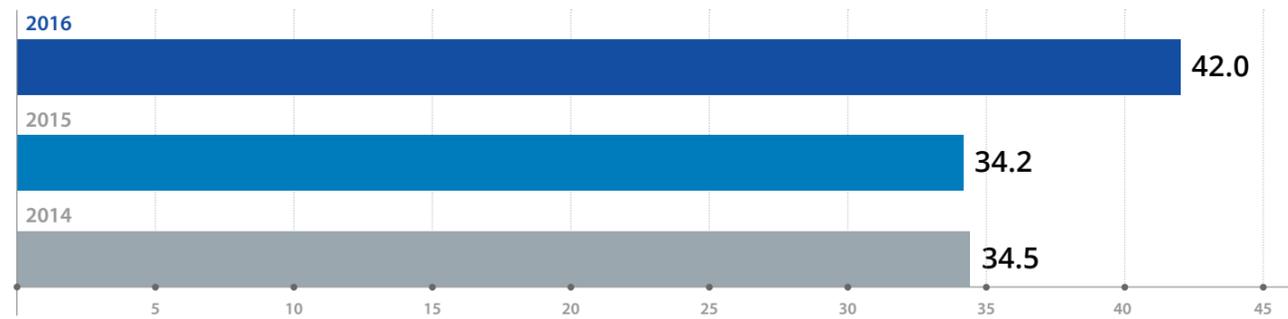
Being one of the leading gas companies, OJSC Severneftegazprom aims at minimizing natural gas consumption during its production.

NATURAL GAS CONSUMPTION, MILLION M³



The increase in natural gas consumption is associated with the commissioning of BCS No. 1 (Phase 2) and the larger number of operating GCUs

HEATING ENERGY CONSUMPTION, THOUSAND GCAL



The increase in the heating energy and electricity consumption takes place due to the commissioning of the following facilities: BCS No. 1 (Phase 2), recreational facility and living quarters No. 5 at the rotation camp.



ENERGY USAGE REDUCTION

In order to improve its energy efficiency, OJSC Severneftegazprom implements a number of organizational, economic and technological measures aimed at improvement of rational use of energy resources at production.

In its activities, the Company sets the objectives to reduce the amount of energy consumed and to reduce the impact on the environment. Therefore, a plan of measures for energy saving at production and other facilities, as well as goals and tasks in the field of Energy Management System are developed and approved in OJSC Severneftegazprom.



In order to reduce the volume of energy consumption OJSC Severneftegazprom takes measures aimed at:

Effective approach and improvement of energy saving programs;

Use of state-of-the-art technologies to minimize the industrial impact on the environment.

THE COMPANY'S ENERGY SAVING PROGRAM PERFORMANCE INDICATORS FOR 2016

KEY ACTIVITIES	SAVED FUEL AND ENERGY RESOURCES AS A RESULT OF ENERGY SAVING PROGRAM PERFORMANCE AND ENERGY EFFICIENCY INCREASE					
	NATURAL GAS, MILLION M ³		HEAT ENERGY, GJ		ELECTRICITY, MILLION KW/H	
	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
Gas turbine power generating units work optimization	6.145	6.145	-	-	-	-
Degas gas usage as fuel gas at fire regeneration unit	0.363	0.363	-	-	-	-
Innovative solutions implementation for collection of leakages from dry gas seals of GPUs at the Compressor Station at YRNGM	1.542	1.542	-	-	-	-
Elimination of leakages at threaded junctions "conductor coupling – mounting connection of the casing head" by a internally developed and introduced method	0.664	0.664	-	-	-	-
Optimization of YRNGM GPUs technical maintenance procedure	0.008	0.008	-	-	-	-
Flare unit energy efficiency and working lifespan increase	0.225	0.225	-	-	-	-
Control over heating system and temperature adjustment with controllers at heating units	-	-	20	20	-	-
Elimination of heat leakage at enclosure elements junctions	-	-	200	200	-	-
Luminescent and incandescent light lamp substitution by energy saving diode lamps	-	-	-	-	0.766	0.766
Energy consumption decrease by electric drives of NPSP plunger pumps	-	-	-	-	0.257	0.245
Total	8.947	8.947	220	220	1.023	1.011



Personnel and Operational Safety

OJSC SEVERNEFTEGAZPROM CONSIDERS OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY AS THE KEY FACTORS FOR SUSTAINABLE DEVELOPMENT OF ITS BUSINESS AND AS THE MOST IMPORTANT COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY TO THE CURRENT AND FUTURE GENERATIONS.

OJSC Severneftegazprom pays special attention to the development of an effective industrial and professional safety management system. This is primarily related to the fact that modern gas fields form complex and potentially hazardous facilities and the risks of various contingencies and emergencies at such facilities may lead to serious consequences.

For this purpose the Company has introduced and effectively applies an integrated management system for quality, environmental protection, and occupational health and safety based on the requirements of international standards ISO 14001, ISO 9001, BS OHSAS 18001. Based on these standards, OJSC Severneftegazprom has been implementing the policy for Quality, Environmental Protection, and Occupational Health and Safety* since 2009. The document sets out core principles of effective nature management, employees' health protection, and industrial safety .

By virtue of implementing this policy, OJSC Severneftegazprom ensures effective and trouble-free functioning of all the plants and facilities, applies systemic approach to the management of safety issues, and keeps improving its activity in the area. In 2016, the Policy for Quality, Environmental Protection, and Occupational Health and Safety was updated.

* The Policy for Quality, Environmental Protection, and Occupational Health and Safety is open and available to all stakeholders on the Company's website (<http://www.en.severneftegazprom.com>).

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

- CONTINUOUS IMPROVEMENT OF THE INTEGRATED MANAGEMENT SYSTEM;
- APPLICATION OF ADMINISTRATIVE AND OPERATIONAL CONTROL MEASURES;
- IDENTIFICATION OF HAZARDS, ANALYSIS AND ASSESSMENT OF RISKS;
- ADVANCED TRAINING OF EMPLOYEES AND KNOWLEDGE CHECK;
- PREVENTION OF INDUSTRIAL ACCIDENTS;
- COMPLIANCE WITH LAWS, REGULATORY LEGAL ACTS, AND OTHER REQUIREMENTS;
- IMPROVEMENT OF THE EXISTING PRODUCTION PROCESSES, AND IMPLEMENTATION OF NEW SAFE TECHNOLOGIES;
- USE OF MODERN PERSONAL PROTECTIVE EQUIPMENT;
- ACTIVE ENGAGEMENT OF THE STAFF IN ENSURING HEALTH AND SAFETY AT WORK;
- APPLICATION OF THE BEST INTERNATIONAL PRACTICES AND STANDARDS;
- AVAILABILITY OF INFORMATION AND TRANSPARENCY;
- PROVIDING THE COUNTERPARTIES WITH INFORMATION ON STANDARDS, POLICY AND REQUIREMENTS IN THE FIELD OF INDUSTRIAL AND OCCUPATIONAL SAFETY; CONTROL OVER CONFORMITY THERETO.

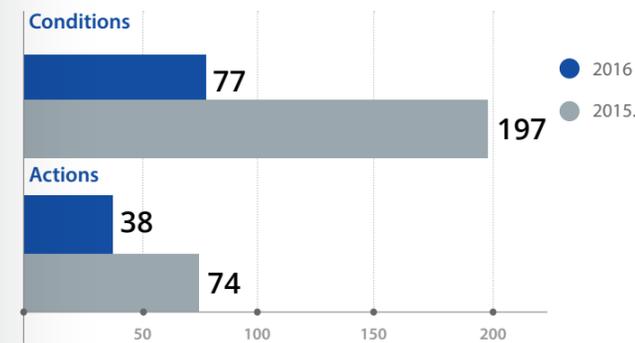
OCCUPATIONAL SAFETY

Employees' health and life, as well as decent working conditions are the key priority for the management of OJSC Severneftegazprom. This is the reason why the Company's occupational health and safety management system is built in strict compliance with the requirements of Russian laws and international standards.

The Company has established conditions that either rule out any influence of harmful or hazardous production factors on employees or ensure that such influence does not exceed permitted standards. Application of the systemic approach based on a regular analysis of labor conditions and control over the state of the industrial environment allows the Company to identify potential risks, hazardous actions of personnel, and work places with harmful labor conditions in a timely manner.

The integrated management system of OJSC Severneftegazprom in the field of occupational health and industrial safety has been certified for compliance with the requirements of BS OHSAS 18001 since 2010. Each year the Company approves a program of internal audits, which provides the framework for the confirmation of compliance of the business processes running in the Company with the said standard, assessment of the integrated management system efficiency, and determination of the measures for its improvement.

TRENDS OF REGISTERED HAZARDOUS CONDITIONS AND HAZARDOUS ACTIONS OF PERSONNEL IN 2015-2016



Compliance of the management system with international requirements is regularly confirmed through compliance audits. Thus, in November 2016, Limited Liability Company DQS (representative of international certification authority DQS, Germany) performed a re-certification audit of the Environmental Management System of OJSC Severneftegazprom for compliance with the requirements of the new version of international standard ISO 14001:2015. In addition, supervisory audits of the Integrated Management System for quality, occupational health and safety (IMS) for compliance with international standards ISO 9001 and BS OHSAS 18001 and the Energy Management System for compliance with international standard ISO 50001 were conducted. During the audit the effectiveness of the management systems of OJSC Severneftegazprom was assessed and the areas for their improvement were defined. No non-conformances were registered.

To increase the staff's responsibility in terms of compliance with health and safety rules at the workplace and to prevent injuries, the Company has implemented a procedure for auditing health and safety behavior. The work in this area allows it to identify and prevent employees' hazardous actions, to assess performance efficiency in the field of occupational health and industrial safety, and to stimulate and support rigorous compliance with all the necessary safety standards and rules.

According to figures for 2016, the authorized officials and specialists of the Company conducted 1,324 health and safety behavior audits, during which 115 hazardous conditions and actions of staff were revealed. The results of the behavior audits were analyzed and taken into account in further work.

A positive trend towards reduction of hazardous conditions by 61% and activities by 49% in the production process was observed.

Regular health and safety behavior audits allow the Company increasing the staff's responsibility during performance of operations, reducing potentially hazardous conditions and actions of the staff, and, consequently, having a positive influence on increase of the industrial safety level across the Company in general.

NUMBER OF ACCIDENTS IN 2012-2016

NUMBER OF ACCIDENTS IN 2012-2016	2011	2012	2013	2014	2015	2016
Minor industrial accidents	0	1	0	0	0	0
Major accidents	1	0	0	0	0	0
Fatalities	0	0	0	0	0	0
TOTAL	1	1	0	0	0	0



Registration of industrial accidents is carried out in accordance with the Resolution of the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002 "On approval of forms of documents required for investigation and record of industrial accidents, and the provisions of the peculiarities of industrial accident investigation in the specific sectors of industry and in organizations".

No accidents have been registered in OJSC Severneftegazprom in the reporting period.

In order to enhance the efforts aimed at preventing accidents and hazardous work conditions during operations and at improving safety at hazardous production facilities, since March 2015 the Company has had in place the Labor Conditions Safety Monitoring System, designed for employees of OJSC Severneftegazprom, with the use of SOS monitoring charts.

As a result of the use of this system in 2016, employees detected 10 non-conformances and made 3 proposals on improvement of occupational health and safety conditions. All non-conformances were addressed within the established timeframe. A system of bonuses was implemented for the most active employees.

In accordance with the current legislation of the Russian Federation, the Company performs work to detect hazardous and

NUMBER OF EMPLOYEES, REWARDED WITH VALUABLE GIFTS, PERS

	2015	2016
Number of employees, rewarded with valuable gifts	9	5

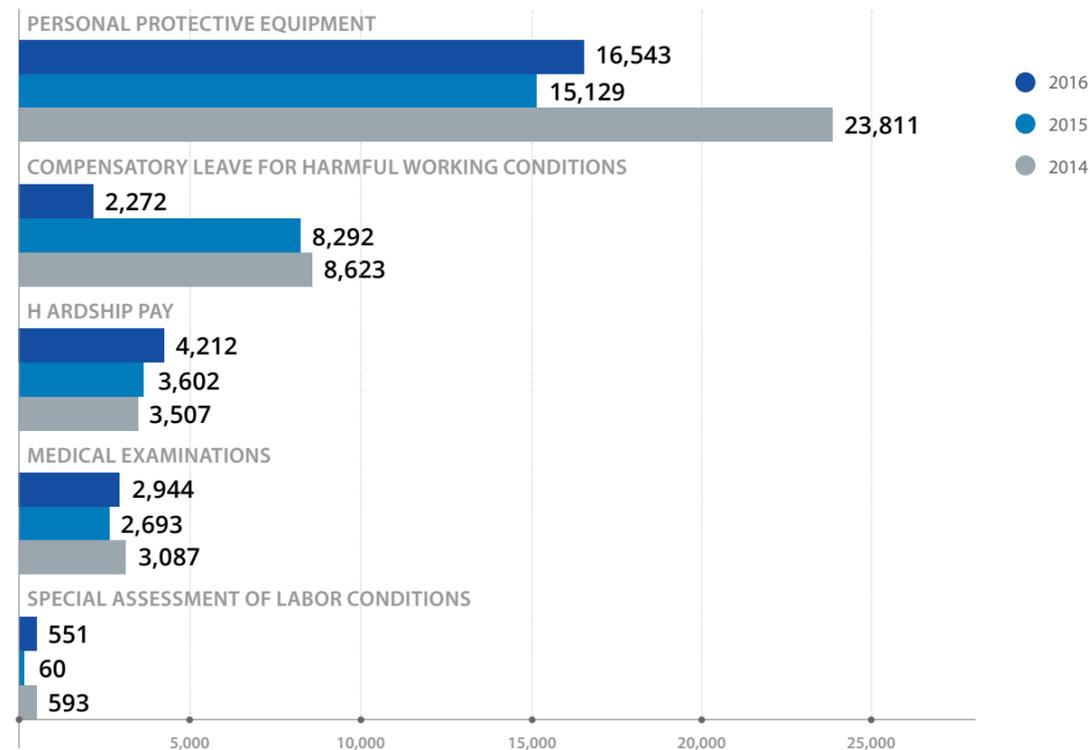
harmful industrial factors at workplaces by carrying out special assessment of labor conditions.

In Q4 2016, the special assessment of labor conditions at 372 workplaces was conducted at YROGCF gas field, as well as in Moscow and Novy Urengoy offices.

All of the Company's employees engaged in work with harmful or hazardous labor conditions and work performed under special temperature conditions and contamination-related conditions are provided with special clothing, footwear, and other personal and collective protective equipment (PPE), as well as washing and decontaminating substances.

The expenses on occupational safety in the reporting period amounted to 26,522 thousand rubles; as in the previous years, most of the money was spent on purchasing personal protective equipment.

OCCUPATIONAL SAFETY COST STRUCTURE, THOUSAND RUB



INDUSTRIAL AND FIRE SAFETY

Accident-free operational activities are possible only if industrial and fire safety norms and rules are strictly observed – the Company's management adheres to this principle too.

The Company has adopted a document outlining the principles of implementing the industrial safety policy* of OJSC Severneftegazprom. Implementation of these principles ensures a comprehensive approach towards the management of safety of complex technological processes and reduces the risk of accidents and incidents.



THE CORE PRINCIPLES OF INDUSTRIAL SAFETY ASSURANCE IN THE COMPANY ARE AS FOLLOWS:

- COMPLIANCE WITH FEDERAL LAW NO. 116 "ON INDUSTRIAL SAFETY OF HAZARDOUS INDUSTRIAL FACILITIES" AND OTHER REGULATORY LEGAL ACTS;
- IMPLEMENTATION OF MEASURES TO PROTECT HEALTH AND LIFE OF EMPLOYEES IN CASE OF AN ACCIDENT AT A HAZARDOUS INDUSTRIAL FACILITY (HIF);
- TRAINING AND ASSESSMENT OF EMPLOYEES;
- EXPERT EVALUATION OF INDUSTRIAL SAFETY OF BUILDINGS, STRUCTURES, AND HARDWARE USED AT HIF;
- ORGANIZATION AND IMPLEMENTATION OF OPERATIONAL CONTROL OVER THE COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS BY EMPLOYEES AND CONTRACTING COMPANIES;
- PARTICIPATION IN THE INVESTIGATION OF CAUSES OF ACCIDENTS AT HAZARDOUS INDUSTRIAL FACILITIES.

As part of the Company's integrated management system, all structural subdivisions conduct work on the identification of hazards affecting the staff's health and safety, and the assessment of risks. The results of assessment procedures provide an opportunity to minimize the probability of threats for employees' life and to prevent possible accidents.

In accordance with the Russian legislation, since 2007 the Company has been applying the system of administrative and operational control over compliance with industrial safety requirements. The system is governed by the Regulation specifically developed for this purpose. Inspections in this area are conducted at four levels by a central permanent commission of administrative and operational control over occupational health and safety and industrial safety according to the approved schedule. Meetings of the central permanent commission for occupational health and safety and industrial safety are held at least twice a year. These inspections may occur more often depending on the situation and represent a scope of organizational and technical activities aimed at complying with industrial safety requirements, preventing accidents, and ensuring readiness to respond to them.

Six inspections were conducted at 4th level of the central permanent commission of administrative and operational control over occupational health and safety and industrial safety in 2016: 4 targeted and 2 integrated inspections. All of the 108 revealed violations were remedied within the established period of time. The number of violations revealed in 2016 increased as compared to 2015 by 2% (106 violations were revealed in 2015).

At the moment the Company is operating 9 hazardous industrial facilities (HIF). All of them have the policies of mandatory civil liability insurance for the harm caused as a result of accident or incident. All employees operating the hazardous industrial facilities have been duly assessed in the field of industrial safety.

* The statement with the Industrial Safety Policy of OJSC Severneftegazprom is open and available to all stakeholders on the Company's website (www.en.severneftegazpom.com).



Emergency Response Plans (ERP) were developed for the Company's hazardous facilities. The Company performs regular emergency drills for its staff according to the approved schedule, as specified in ERP.

All data on the results of operational control over industrial safety at hazardous industrial facilities are submitted by the Company on a regular basis to the Novy Urengoy Division of the North-Urals Department of the Federal Service for Environmental, Technological, and Nuclear Supervision.

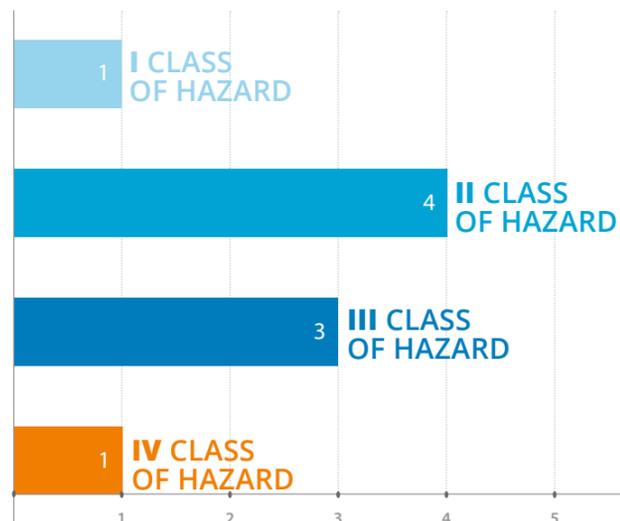
In accordance with the requirements of the laws of the Russian Federation on fire safety, The Company has a fire safety system, which includes a fire prevention system, a fire protection system and a set of organizational and technical fire safety measures.

There is a Corporate Fire Department (CFD) in the Company to ensure fire safety of industrial facilities and to implement the necessary regulatory requirements. Its activity includes preventive fire safety measures, updating of regulatory documents, control over compliance with fire safety requirements, and analysis of performance of fire preventive measures. Effective performance of this department is ensured by regular advanced training of its staff.

For this purpose, the team-headquarters emergency training exercises were carried out on "Dealing with terrorist attacks on heavily trafficked facilities (living quarters No. 1 in the rotation camp of the Yuzhno-Russkoye field)".

In the reporting period, CFD employees took part in a total of 4 drills and 33 fire fighting and tactical exercises

NUMBER OF HIF BY HAZARD CLASSES, EA



THE EXPENSES ON FIRE SAFETY ASSURANCE IN 2016 EXCEEDED

22 MILLION RUBLES

conducted jointly with gas field services in order to practice emergency response at YROGCF facilities according to the Emergency Response Plan; 301 employees received the required fire safety training.

The expenses on fire safety assurance in 2016 exceeded 22 million rubles.

To prevent forest fires, the Plan of firefighting activities performed by forest users was approved, and the procedure to engage manpower and resources for the prevention the spread of forest fires was established. During the year, measures for fire fighting management of forests were organized and conducted.

During the summer of the accounting year, when the danger of fire was at its peak, the Company's employees extinguished natural fires that occurred in close proximity to the Yuzhno-Russkoye oil and gas field. The spread of fire to the Company's facilities was prevented.

For the assistance in response to emergencies on the territory of Yamal-Nenets Autonomous Area in the summer of 2016 (participation in extinguishing natural fires) the Company was awarded Recognition by the Governor of Yamal-Nenets Autonomous Area.

Owing to the team's professionalism and efficient use of modern machinery and equipment, the fire department maintains constant readiness for emergency response and extinguishing of fires of any severity, and for conducting rescue operations under the adverse climatic conditions of the Far North.

In 2016, the independent fire risk assessment (fire safety audit) of the Company's facilities was conducted by the expert organization accredited by the Ministry of Emergency Situations of Russia. The compliance of all facilities with the fire safety requirements was certified, and the official conclusion was positive.

Operational control over compliance with requirements to occupational safety, fire and environmental safety is also exercised in relation to the contracting, service and other organizations performing any work at the Company's facilities and over the territories controlled by the latter.

No fire or inflammation happened in the reporting period.



The Company's management pays particular attention to organizational and technical measures of fire safety:

- fire safety manuals for all facilities have been produced and approved;
- persons responsible for fire safety of the facilities have been appointed;
- the procedure for arrangement and safety performance of firing has been defined;
- commissions have been created and the inspection procedure for the fire protection system and equipment has been defined;
- management, maintenance, repair and refilling for the fire extinguishers has been organised;
- departmental control over fire safety assurance has been arranged;
- training on fire safety measures is provided to the Company's employees.

KNOWLEDGE ASSESSMENT AND TRAINING OF EMPLOYEES

High efficiency of production is possible only in case of continuous advanced training of staff and improvement of their awareness about safe work methods, since efficient and safe operation of equipment directly depends on the level of competence of employees. This is the reason why OJSC Severneftegazprom regularly arranges trainings and testing for its employees in health and safety.

In the reporting period professional trainings and assessment were provided in accordance with the Program of Training and Checking of Health and Safety Requirements Knowledge of Managers and Specialists approved by the General Director of the Company with the use of training software OLIMPOX.

Besides, operating staff received additional training in related professions. Classes were also provided to obtain permits required to perform certain kinds of work.

The number of managers and specialists who have passed occupational safety knowledge assessment and assessment in the general rules of industrial safety and types of supervision is provided in the table

It is important to specify that training and assessment of competence of the Company's employees in occupational health and industrial safety not only facilitates their professional and personal development, but also ensures trouble-free, i.e. safe, stable, and economically effective functioning of all the plants and facilities of OJSC Severneftegazprom.

NUMBER OF MANAGERS AND SPECIALISTS WHO HAVE PASSED KNOWLEDGE ASSESSMENT, PERS

ASSESSMENT TYPE	PLANNED (NUMBER OF PERSONS)	ACTUAL (NUMBER OF PERSONS)	TRAINED OVER AND ABOVE THE PLAN (DUE TO EMPLOYMENT, REASSIGNMENT TO ANOTHER POSITIONS, VACATION LEAVE ETC.)
Occupational Safety	231	278	47
Industrial Safety	129	145	16



HR and Social Policy

1,033 PEOPLE

THE COMPANY'S TOTAL NUMBER OF STAFF AT THE END OF THE REPORTING PERIOD

Highly skilled solid team is the core for high achievements of OJSC Severneftegazprom. As a responsible employer building its staff management system based on the observance of rights of each employee, the Company follows international standards related to salary, work day duration and labor conditions, social insurance, provision of paid leave, occupational safety.

The Company on a regular basis carries out work on recruitment and retention of highly skilled employees, training, labor efficiency improvement, and forming a pool of candidates in accordance with the Company's strategic objectives. When employees see that the employer cares about them and respects their work, they respond to that with an effective, responsible and proactive attitude to their professional activity.

Following the principle of human life and health priority, the Company is fully aware of its responsibility for ensuring fail-safe operations, safe working conditions for its employees and contractors, and for protecting the health of residents in the areas of the Company's activities. As a result, all of these strengthen team, consolidate people, and ensure better performance of the Company.

Economic success is the principal indicator of the Company's performance, but it is essential to comply with the highest standards in the field of HR policy and social responsibility to ensure long-term growth.

STAFF SIZE AND COMPOSITION

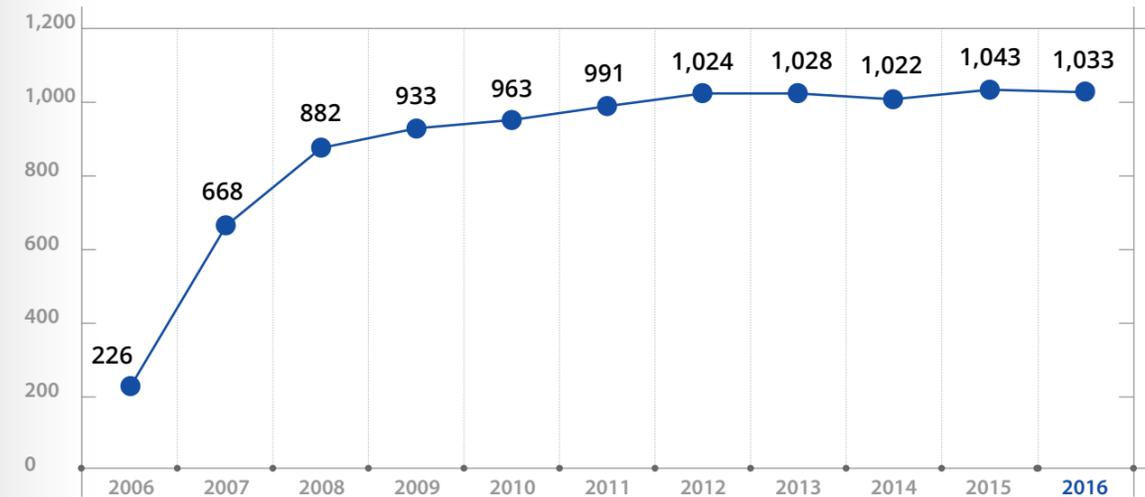
Investments in human resources are the basis for sustainable development of OJSC Severneftegazprom. The Company continually seeks to employ and retain qualified staff aimed to achieve high results and develop together with the Company, and to build a team united by shared aspirations and values. In its HR Policy, OJSC Severneftegazprom harmoniously combines the competence and expertise of experienced employees with the enthusiasm of young specialists. Moreover, active involvement of local staff has a positive impact on the economics of the region and enhances its investment attractiveness.

Operational activity of the Company is concentrated in the Yamal-Nenets Autonomous Area, which is distinguished by its developed fuel and energy complex and competitive labor market of highly qualified specialists. The Company uses a rotational work management method to maintain the process flow at the facilities of the Yuzhno-Russkoye oil, gas and gas condensate field. In the remote areas with severe geographic and climate conditions, this approach is the most popular and feasible. In 2016, the share of employees of OJSC Severneftegazprom working on a rotational basis made up 63% (652 persons).

As of the end of 2016, there were 983 persons (170 women and 813 men) working in the Far North region. The number of administrative and managerial staff working in the Far North region is 482 persons. The Company's total number of staff at the end of the reporting period was 1,033 people, and the average staff number was 1,017 people, which is similar to the figure for 2015 (1,018 people).



STAFF SIZE IN 2006–2016, PERS



The Company is committed to creating the most comfortable working conditions, which is reflected in the low staff turnover in the reporting year – 3.05% (by 0.2% more than in 2015). The staff turnover rate is calculated in accordance with the practice established in the system of PJSC Gazprom*.

OJSC Severneftegazprom's staff composition by age is rather uniform. The most productive category of employees aged

from 30 to 50 years makes up 67% of the total number of employees.

At the end of 2016, the Company's total staffing stood at 95%, indicating to stable operation of structural subdivisions under the management of the Deputy General Director for HR of OJSC Severneftegazprom.

HEADCOUNT

ITEM NO.	INDICATORS	NUMBER (PERSONS) 2016
1	Actual headcount	1,033
	Including	
2	Persons working under the contract concluded for an indefinite period	1,012
3	Persons working under the fixed-term labor contract	21
4	Persons working on a rotational basis	652
5	Persons working under the basic work management method	381

Instruction for filling out forms of industrial statistic reports on the size, structure, and transfers of employees by subsidiaries, institutions, branches, and representative offices of PJSC Gazprom. The headcount covers all employees who resigned in accordance with para. 3 of Article 77, Labor Code of the Russian Federation, except for employees who resigned due to retirement, child care leave, or changing their place of residence.



RELATIONS WITH EMPLOYEES ARE BUILT ON THE BASIS OF THE COLLECTIVE EMPLOYMENT AGREEMENT, DEVELOPED IN ACCORDANCE WITH BEST RUSSIAN AND INTERNATIONAL PRACTICES AND ENSURING AN EQUAL APPROACH TO EMPLOYEES.

STAFF COMPOSITION BY REGION, PERS

INDICATORS	TOTAL / WOMEN	MOSCOW / WOMEN	NOVY URENGOY / WOMEN	URENGOY / WOMEN	TYUMEN / WOMEN	KRASNOSELSKUP / WOMEN
Headcount for 2016	1,033/ 193	49/22	302/111	17/9	1/1	664/50
Persons working under the fixed-term labor contract	21/10	3/1	12/5			6/4

THE COMPANY'S STAFF STRUCTURE, PERS

EMPLOYEE CATEGORIES	TOTAL PERSONS ACCORDING TO THE LIST AS OF DECEMBER 31, 2016	AGE				EDUCATION						FROM GROUP 1 WOMEN
		UNDER 30 YEARS	FROM 30 TO 40 YEARS	FROM 40 TO 50 YEARS	50 YEARS AND OLDER	INCLUDING		POSTGRADUATE	PROFESSIONAL		WOMEN	
						WOMEN 55 AND OLDER	MEN 60 AND OLDER		HIGHER	SECONDARY		
1	2	3	4	5	6	7	8	9	10	11	12	
Total employees	1,033	117	336	355	225	7	7	-	9	569	192	193
Including:												
Managers	205	4	64	80	57	4	3	-	6	189	16	38
Specialists	308	50	135	83	40	1	1	-	3	254	54	117
Other employees	8	1	4	3	-	-	-	-	-	4	3	6
Workers	512	62	133	189	128	2	3	-	-	122	119	32



LABOR TURNOVER IN 2016, PERS

NO.	INDICATORS	TOTAL	OF WHOM WOMEN	INCLUDING IN THE STAND-ALONE UNITS:				
				MOSCOW / WOMEN	NOVY URENGOY / WOMEN	URENGOY / WOMEN	TYUMEN	KRASNOSELSKUP / WOMEN
	Headcount as of 31.12.2016	1,033	193	49/22	302/111	17/9	1/1	664/50
Broken down by age groups:								
	younger than 30 years	117	31	17/9	25/9	1/1	0	74/12
	from 30 to 50 years	691	128	23/10	228/84	12/8	1/1	427/25
	older than 50 years	225	34	9/3	49/18	4/0	0	163/13
1	Average listed headcount in 2016	1,017	180	57	243	70	1	646
2	Total number of resigned persons	85	40	32/27	22/8	10/2	0	21/3
Broken down by age groups:								
2.1	younger than 30 years	11	6	5/4	2/2	0	0	4
2.2	from 30 to 50 years	50	24	22/19	14/4	6/0	0	8/1
2.3	older than 50 years	24	10	5/4	6/2	4/2	0	9/2
3	Total number of employed persons	75	25	9/7	31/13	4/1	0	31/4
Broken down by age groups:								
3.1	younger than 30 years	30	8	3/2	8/4	1/0	0	18/2
3.2	from 30 to 50 years	37	15	5/4	18/9	3/1	0	11/1
3.3	older than 50 years	8	2	1/1	5	0	0	2/1

The Company warrants equal rights for women and men to child care leave facilitating recruitment of qualified staff, ensuring stability in the work team, improving moral well-being of the employees, and enhancing labor efficiency. In accordance with Article 256 of the Labor Code of the Russian Federation, the employee of the Company, upon his/her request, is granted a child care leave to attend to a child up to the age of three years. Child care leaves may be spent fully or partially not only by the child's mother, but also by his/her father, grandparent, other relative, or guardian providing actual care.

During the child care leave, a woman or person taking care of a child may apply and resume employment part time or at home, with preservation of the right to the state social insurance allowance.

The workplace is reserved for the employee for the whole period of the child care leave. In 2016, the rate of returning to work after the end of the child care leave, as well as the rate of employees' staying with the Company for at least 12 months after returning to work from the child care leave amounted to 100%.

CHILD CARE LEAVE GRANTED. TOTAL / MEN IN 2016	EMPLOYEES RETURNING TO WORK AFTER THE END OF CHILD CARE LEAVE, INCLUDING PREVIOUS PERIODS. TOTAL / MEN	EMPLOYEES WHO STAYED WITH THE COMPANY UPON EXPIRY OF 12 MONTHS, INCLUDING PREVIOUS PERIODS. TOTAL / MEN
7/0	1/0	1/0



STAFF MANAGEMENT

Staff is the key factor of efficiency and sustainable development of the Company, therefore, the high quality recruitment of qualified staff is the most important process in human resources management. OJSC Severneftegazprom elaborates and implements its HR Policy through its structural subdivisions under the management of Deputy General Director for HR. The HR Department of the Company is guided by the Constitution of the Russian Federation, Labor Code of the Russian Federation, Collective Employment Agreement, and a number of internal regulatory legal documents governing labor relations. The Company builds partnership relations with employees based on the creation of conditions for highly professional achievements of employees, improvement of their knowledge and skills, and provision of comfortable and productive working environment.

OJSC Severneftegazprom has developed, implemented, and is successfully realizing the Integrated HR Management Program for 2016–2020. In accordance with this Program, the Company implements measures aimed at building competitive, highly professional, responsible and committed staff.

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

- provision of the Company with qualified staff;
- supporting the corporate culture;
- improving the organizational structure;
- following the latest international standards in the field of staff management.

OJSC Severneftegazprom provides its employees with equal opportunities and does not tolerate discrimination on the basis of nationality, origin, gender, religion, and any other grounds. The Company's management takes a strong stance in relation to fundamental impossibility of using child labor, forced or compulsory labor for commercial purposes. Labor functions in the Company are performed in accordance with the concluded Employment Contract.



In order to maintain healthy moral environment in the work team and to avoid conflicts, the Company has in place mechanisms for preventing conflicts by filing complaints through the special mailboxes and e-mail "Question to the administration" (Vopros@sngp.com). No complaints regarding the labor relations practice were received in the reporting period.

The Company holds regular contests of professional excellence aimed at increasing the prestige of trade and engineering professions, promoting innovative activity, contributing to the spread of the best manufacturing practices and strengthening of organizational culture of the Company.

In 2016, the Company held events called the Best Innovator and Inventor and the Best Structural Subdivision of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field, contests of professional excellence for the Best in Profession title among operators of technological compressors of booster compressor station, OJSC Severneftegazprom oil and gas production operators. The total number of participants in the contests of excellence amounted to 249 persons, which is 108 persons more than in 2015.

REMUNERATION AND STAFF SOCIAL SUPPORT

Improvement of efficiency and productivity is one of the Company's priorities. OJSC Severneftegazprom provides extensive liabilities in the sphere of social benefits and guarantees to encourage employees and achieve an optimal balance between labor and recreation. The Company also actively protects health of employees and renders assistance to its retired staff.

In 2016, all of the employer's liabilities related to social benefits, guarantees, and compensations for employees envisaged by the Company's Collective Employment Agreement for 2016 were fully performed. The Collective Employment Agreement covers all the Company's employees.

The Company is a responsible employer and provides its employees with a decent remuneration. The Company applies two main remuneration systems: time-plus-bonus and time-rate individual systems; the Employees engaged in the Far North regions are paid higher tariff rates and position salaries.

An important component of the non-financial motivation program is the recognition of merits and achievements as an element of performance assessment. The Company has a system of individual labor motivation, which includes bonus payment for achieving high working results, as well as the following forms of awards and incentives: Acknowledgment, Certificate of Merit, placement of photo on the Board of Honor, inclusion in the Book of Honor, and rank of OJSC Severneftegazprom Veteran. The Company supports research and development, innovative, and invention activity of its employees by paying additional bonus to the authors of optimization proposals and inventions covered by patent rights. The Company shows respect to family obligations of employees: according to the Collective Employment Agreement, additional paid vacations and material support are provided in case of weddings or a child's birth.



The social policy of OJSC Severneftegazprom is the Company's competitive advantage, which increases its attractiveness in the HR market and is aimed at recruitment and long-term retention of highly skilled employees. OJSC Severneftegazprom maintains regular monitoring of employees' demands and problems and seeks to provide them with comfortable and safe labor conditions. Rights and benefits of all employees are fixed in the Collective Employment Agreement for 2016. In order to control the fulfillment of the terms and conditions of the Collective Employment Agreement, the Company runs a Commission for Social and Labor Relations, the main tasks of which are:

- alignment of the parties' interests on the issues of labor relations;
- conducting of collective bargaining, drafting of Collective Employment Agreement and its conclusion;
- organization and holding of preliminary consultations;
- elaboration and discussion of draft internal regulations.

The existing Collective Employment Agreement provides the employees with reliable social support, which includes voluntary health insurance, insurance against accidents, resort and spa health improvement, and other benefits and guarantees. Every employee of the Company is entitled to use a certain kind of benefits, guarantees, and compensations.

Based on applications of employees, 15 meetings of Social and Labor Relations Committee of OJSC Severneftegazprom were held in 2016, including 3 meetings on additional material aid for the Company's employees who found themselves in a difficult financial situation. The Commission considered their applications and made decisions on providing targeted financial assistance.



SOCIAL BENEFITS AND GUARANTEES

FAMILY

- FINANCIAL SUPPORT FOR NEWLY MARRIED COUPLES
- MATERNITY ALLOWANCE
- COMPENSATION OF EXPENSES ON PRE-SCHOOL EDUCATION
- GIFTS TO CHILDREN OF EMPLOYEES
- AID FOR FAMILIES WITH MANY CHILDREN

RELIABLE EMPLOYMENT

- DECENT REMUNERATION FOR WORK
- PAID TRAVEL TO THE PLACE OF VACATION
- PERSONAL AND PROFESSIONAL DEVELOPMENT
- ADDITIONALLY PAID LEAVES
- ADVANCED TRAINING
- COMFORTABLE WORKING CONDITIONS

STABLE FUTURE

- ADDITIONAL PENSION BENEFITS
- COVERAGE OF MEDICAL SERVICES FOR PENSIONERS
- FINANCIAL AID FOR VETERANS

The social policy of OJSC Severneftegazprom organically combines the care for the young generation and for the employees deserving well of the Company. The Company has created adequate conditions for smooth replacement of experienced employees with young specialists who have been duly trained for effective performance of their professional duties. All retired employees of the Company are guaranteed worthy level of social security in their well-earned retirement. The Company has a program of additional private pension benefits,

which is run together with the Gazfond non-government pension fund. This program is consistent with the principles of the Strategy for the Long-Term Development of Pension System of the Russian Federation, facilitates the implementation of effective HR management policy, and ensures social protection of the employees after their retirement. The program, in particular, provides for compensation of dental charges, offers material aid for rehabilitation, to buy medicine, to mark holidays and anniversaries, etc.



PERSONNEL DEVELOPMENT AND PERFORMANCE MANAGEMENT

Employees' training and advanced training is one of the Company's priorities. In conditions of rapid development of technology and management systems, staff training is playing an increasingly important role in the enhancement of the Company's operating efficiency and competitiveness. Moreover, this activity does not only yield good results for the Company, but also makes a positive impact across the region: being one of the largest enterprises in the Yamal-Nenets Autonomous Area, OJSC Severneftegazprom makes a considerable impact on the level of proficiency of local specialists.

Training of the Company's employees is provided as part of the comprehensive advanced training program. Trainings and workshops are mainly held in the corporate training centers of PJSC Gazprom. In addition, the employees are entitled to use educational opportunities of the leading national educational institutions.

OJSC Severneftegazprom sets four main objectives in the field of staff training:

- Raising the level of professional competence;
- Creating an effective system for planning the candidates pool;
- Developing leadership and managerial competences;
- Motivating towards labor efficiency enhancement.

The Company offers the following types of training: professional training; advanced training; pre-assessment training and assessment of employees; training for the second (related) professions and practical training. The employees are offered different types of training, which they can do either full-time or part-time, without disrupting the production process.

286 employees took part in the advanced training programs in total. In the reporting period, the total duration of training and advanced training for the employees exceeded 29 thousand hours. This figure proves the aspiration of the Company's management to improve the level of theoretical knowledge and practical skills of its employees. Training in the leading training centers makes OJSC Severneftegazprom an attractive and socially responsible employer.

THE AVERAGE NUMBER OF EMPLOYEE TRAINING HOURS FOR 2016

ITEM NO.	EMPLOYEE CATEGORY	TRAINED (PERSONS)		TOTAL NUMBER OF TRAINING HOURS		AVERAGE NUMBER OF TRAINING HOURS	
		TOTAL	AMONG THEM WOMEN	TOTAL	AMONG THEM WOMEN	TOTAL	AMONG THEM WOMEN
1	Managers	164	13	13,059	1,764	80	136
2	Specialists	69	13	6,656	1,652	96	127
3	Other employees	1	1	72	72	72	72
4	Workers	52	0	9,947	0	191	0
	TOTAL	286	27	29,734	3,488	104	129



In order to enhance qualifications of its personnel and develop labor efficiency, as well as to support and develop research and technical activity among the employees, in 2011 the Company adopted the Provision on Grants. Grants are provided to OJSC Severneftegazprom staff who would like to continue their education in post-graduate and post-doctorate programs at Russian higher educational institutions and research organizations.

The Company pays considerable attention not only to development of professional skills, but also to assessment of the employees' qualification level. The Company has established a labor efficiency management system, which is based on assessment of the professional competences, key performance indicators, and individual development goals of the employees.

Performance of managers and specialists has been assessed on an annual basis since 2008. The main tasks of this assessment include:

Planning and organization of training processes;

Improving the work on recruitment and formation of the candidates pool;

Unlocking the creative potential and most effective use of professional experience of the employees.

Assessment results are also used to prepare proposals regarding revision of salary/wage levels and to make other organizational decisions.



Automated program "Annual Interview" is used to reflect the results of employees assessment. Activities of employees are evaluated based on the following parameters:

organization and sense of duty;

responsibility and self-discipline;

independence and initiative;

ability to perceive new information;

competence.

In 2016, 454 managers and specialists of the Company (87%) were interviewed; 7 of them were interviewed on their own initiative*. Based on the evaluation results a decision was made to include 27 Company employees in the advanced training schedule and to provide them with training.

CATEGORY	TOTAL	ASSESSED	AMONG THEM WOMEN
Managers	205	182	28
Specialists, other employees	316	272	93

* The following persons are not be subject to assessment:
 - workers;
 - persons who have worked at the enterprise for less than a year;
 - young specialists who have worked for less than one year after graduation from an educational institution;
 - pregnant women and women with children under 3;
 - women who have worked for less than a year after a maternity leave or after a child care leave.



FORMATION OF THE CANDIDATES POOL AND WORK WITH YOUNG SPECIALISTS

To ensure long-term protection of human resources, the Company is creating and developing a pool of internal candidates. The Company is working consistently on professional and personal development of young employees, on their promotion to key managerial positions, involvement in innovative and scientific research and design activities.

The creation of the pool of candidates enables talented employees to be identified and their potential in achieving the Company's strategic goals developed and maximized, and contributes to the retention of the best employees by providing them with career and development opportunities.

For the purpose of planning and organizing effective activity in recruitment and career development of promising employees, in 2016 the Company adopted a new version of the Provision on Work with the Pool of Candidates for Promotion to Managerial Positions.

The Company increasingly applies the practice of including promising young employees with the managerial potential in the succession pool so that later they could replace the heads of structural subdivisions.

The main tasks of the work with the candidates pool include:

Regular and comprehensive development of professional and managerial competence of the employees;

Development of business and personal qualities;

Labor efficiency enhancement;

Building motivation for further career development.

Employees included in the candidates pool undergo targeted training within the framework of the existing in-house continued professional training, with involvement of lecturers from leading Russian and foreign universities in the training process, and in the form of self-education. Work with the persons included in the candidates pool is based on individual planning of dates and types of training.

The important stage of the work with employees from the candidates pool is drawing up of their Individual Training Plans, which ensure acquiring of required theoretical and practical knowledge by young specialists, and deeper insight into the content and nature of management activities. All the objectives of the plan must correspond to the requirements of SMART-system*.

The Company regularly (a least once a year) updates the lists of the Pool of Candidates to keep it current. The composition of the Pool is reviewed and updated during the annual review of placement of managers and specialists. Each candidate included in the Pool of Candidates is assessed at the end of the year.

In 2016, 8 employees from the Candidates Pool of the Company were promoted to managerial positions.

As part of its work on formation and development of the candidates pool, OJSC Severneftegazprom pays much attention to work with young specialists – graduates of higher educational institutions, ensuring their career development through their involvement and adaptation in the research and production activity. Young graduates find the Company appealing as the latter ensures worthy working conditions and supports their aspirations towards professional development. The Company offers its employees a wide choice of educational programs, practical trainings, and participation in scientific and practical conferences.

34 employees of the Company from the candidates pool for managerial positions completed advanced training at corporate educational institutions of PJSC Gazprom and leading higher educational institutions of the Russian Federation.

The Company actively attracts into its team young specialists under 30: they make up 11% (117 persons) of the total headcount. Proactive and talented employees contribute to the stable work and further development of the Company.

Ensuring the continuity of management, operational rotation, training and promotion of staff are among the strategic goals of the Company's HR policy.

* SMART implies the criteria of an adequately formulated objective: Specific, Measurable, Achievable, Relevant, Timely.



HEALTH CARE

The focus of OJSC Severneftegazprom on health care of its employees is the key component of the Company's social programs. Life in the difficult climatic conditions of the Far North requires special care for the health of employees, therefore ensuring medical services for staff is one of the priorities of the Company's social policy. Assurance of quality and availability of medical services is an integral part of the employees' healthcare system in OJSC Severneftegazprom. The program of voluntary health insurance (VHI) implemented in cooperation with the SOGAZ Insurance Group enables all employees of the Company to receive timely qualified medical aid, which is particularly important in the Far North. VHI contract envisages provision of the following services:

- clinical and outpatient medical services in outpatient hospitals equipped with modern medical technologies and modern equipment for diagnostics and treatment;
- dental services;
- inpatient care;
- health resort treatment and rehabilitation.

Under the contract, the employees are provided with medical care in more than 6,000 healthcare institutions and resorts in the Russian Federation and abroad. In the reporting period, medical services of advanced medical technologies in special referral centers outside the Far North regions was provided to 47 employees of the Company under the VHI contract. 129 persons received outpatient care with the help of modern instrumental and laboratory methods of examination. Rehabilitation treatment in the health and resort centers of the Russian Federation was arranged for 314 employees of the Company. Dental and dental prosthetic medical services were provided to 84 employees.

The gas field employees are provided with medical assistance 24/7 at the health care station of the Yuzhno-Russkoye field's rotational-residential complex, equipped with all necessary facilities and medicines. The main functions of the staff at the health care station include: provision of first medical aid, prevention of injuries, infectious and viral diseases, and provision of medical examinations.



Under the legislation of the Russian Federation, all employees undergo medical examinations on an annual basis, in accordance with the approved lists of the Positions and Professions Subject to Preliminary and Regular Medical Examinations in OJSC Severneftegazprom. In the reporting period, 784 employees of the Company underwent regular medical examination. Following the results of medical examinations, no professional diseases were discovered in the reporting period.

To raise the awareness of OJSC Severneftegazprom, the preventive lecture for the Company's employees amid the spread of HIV infection and hepatitis in Novy Urengoy was held in September, as well as the first aid techniques training. 1,022 employees of the Company completed the first aid techniques training.

Outbreak of anthrax was observed in the summer of 2016 in Yamal-Nenets Autonomous Area, therefore, awareness-raising activities on protection methods were conducted in the Company.

In order to prevent ARVI and influenza in 2016, the Company conducted vitamin therapy of its employees with the medicine called Selmevit. Another preventative measure against the growth of infectious and viral diseases is a pre-shift medical examination of the persons checking into the rotational-residential complex. In the reporting period, the advanced training according to the Medical staff training program dedicated to pre-trip, post-trip and routine medical examinations of vehicle drivers was arranged for medical staff at the health care station of the Yuzhno-Russkoye oil, gas and gas condensate field.

Common approach to issues of organization of labor and recreation and to maintaining of health and performance of the team allows OJSC Severneftegazprom to successfully cope with its operational tasks



DEVELOPMENT OF PHYSICAL TRAINING AND SPORTS

Promotion of healthy lifestyle, popularization of physical training and sports are the tasks of the national level and importance. By addressing them, OJSC Severneftegazprom pursues several goals at once.

DEVELOPING THE NECESSARY INFRASTRUCTURE IN THE REGIONS OF ITS ACTIVITY, SUPPORTING DIFFERENT PUBLIC INITIATIVES, TEAMS AND SPORTS CLUBS, THE COMPANY ACTS IN COMPLIANCE WITH THE CONCEPT OF SOCIAL RESPONSIBILITY OF BUSINESS TO SOCIETY.

It is especially important considering that OJSC Severneftegazprom operates in the northern areas, where sports facilities available to the public are less developed, possibilities for their improvement without the Company's help are limited, and severe conditions make regular exercises a vital necessity. This type of activity not only contributes to the enhancement of the standard of living and quality of life of the population in the regions of OJSC Severneftegazprom's operation and promotes the positive image of the enterprise among the public, but also facilitates the establishment of close and fruitful cooperation with local government.

In 2016, representatives of OJSC Severneftegazprom took part in a number of sports events. Russian Ski Track – 2016 was held in Novy Urengoy in February, where one of the Company's employees won the first place at a 5 km run. The first municipal volleyball championship among amateur teams was held in Novy Urengoy in October at Eriell sports and recreation center. 10 teams of the companies from Novy Urengoy took part in the championship: OJSC Severneftegazprom, LLC Gazprom Podzemremont Urengoy, JSC Rospan International, Eriell, JSC Achimgaz, etc.

To boost the corporate spirit, promote healthy lifestyle and tourism as a popular recreational sport, the team of OJSC Severneftegazprom for the first time competed in the Open Sports Tourism City Championship of Novy Urengoy "distance – water – canoe" YAKHA-MARATHON-2016 – a 60 kilometer route along the rivers Sede-Yakha and Yeva-Yakha.



The activity on promoting physical training and sports brings important benefits to the Company too. Only healthy and physically fit employees can do their work effectively, creatively, and responsibly, therefore, physical culture and sports play an important role in maintaining physical and moral health of the employees of OJSC Severneftegazprom. The Company successfully carries out activities aimed at active involvement of the Company's employees in regular physical culture and sports events, improvement of the relevant material base and infrastructure at the Company's facilities. The rotational-residential complex at the Yuzhno-Russkoye oil, gas and gas condensate field has a sports and recreation complex, which includes a modern gym, multipurpose gym, swimming pool, sauna, fitness studios, table tennis and billiards halls. Volleyball, football, basketball, swimming, athletic triathlon and other sports competitions are held here on a regular basis.

Besides, in accordance with the Collective Employment Agreement, the Company's employees working outside the gas field are compensated for their expenses on individual sports training, based on actual spending (maximum 0.5 of the minimum monthly tariff).



Interactions with Stakeholders

An open dialog with stakeholders encourages the improvement of business performance, enables good results to be achieved, and contributes to the reinforcement of the Company's image. Over the course of regular interaction with stakeholders it becomes possible to coordinate and to clearly focus the Company's efforts on the achievement of common sustainable development goals.

High reputation as a reliable and efficient partner in Russian and international business circles, authority, and respect in the society – all these reputation advantages are not easily evaluated in financial categories.

However, in today's world, where transparency and credibility are the most important prerequisite for stable and dynamic business development, they become an urgent necessity for any successful company.

Sustainable development of OJSC Severneftegazprom is closely related to maintaining long-term partnership with the regions of presence and engagement of stakeholders, based on the following principles:

- detection of expectations of the stakeholders and observance of undertaken commitments;
- respect for interests, and mutually beneficial cooperation;
- timely informing about changes and main aspects of the Company's activities.

The Company singles out a number of key groups of stakeholders whose interests are most tangibly connected with its activity, and who, in turn, can produce the most significant impact on the Company's ability to implement its strategic goals:

- shareholders;
- government bodies;
- local communities;
- partners and suppliers;
- public media;
- non-profit and municipal organizations;
- staff.

The principle of defining and selecting stakeholders for interaction is mainly determined by the regional aspect. The parties that might be influenced by the Company's production and business activity are identified by their territorial belonging to the areas of the Company's industrial activity (Novy Urengoy, municipal formations of Krasnoselkupsky and Purovsky Districts).

The circle of issues to be discussed with the stakeholders is formed on the basis of continuous analysis of the internal and external social environment. This work is done on a continuous basis, with due regard to short-term and long-term plans of the Company. The main task of the interaction is to find the solution that would satisfy the majority of the stakeholders subject to its compliance with the law provisions and other applicable requirements.

SUBJECT OF INTERACTION	STRATEGY AND DEVELOPMENT	CORPORATE GOVERNANCE	LEGAL REGULATION	CONTRACT OBLIGATIONS	TRANSPARENCY	ENVIRONMENTAL PROTECTION	OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY	CHARITY
STAKEHOLDERS								
Government bodies and institutions	•	•	•	•	•	•	•	•
Suppliers/Buyers				•	•	•	•	
Shareholders	•	•	•		•	•	•	
Non-profit organizations/ Municipal organizations					•			•
Public media					•	•		
Population					•	•		•
Employees	•		•	•	•	•	•	

SHAREHOLDERS

Shareholders of OJSC Severneftegazprom have the most significant influence on the Company. Adhering to the best world practices, the Company builds its relations with shareholders and their representatives based on the principles of openness, informational transparency, and protection of the rights and legitimate interests of this group of stakeholders. The main forms of such interaction include general meetings of shareholders, in the course of which the most important issues of the Company's activity are discussed; official disclosure and provision of information on the Company's activity upon shareholders' requests.

In accordance with the Charter, shareholders take part in the management and control of the Company's operating efficiency through the existing regulatory bodies: General Meeting of Shareholders, Board of Directors, and Technical Committee.

The Technical Committee considers such issues and documents relating to the economic, environmental, and social aspects of the Company's activity as a report on work results in the field of health, safety, and environment (on a quarterly basis), report on the fulfillment, and preliminary consideration of the Company's Annual Work Program and Budget for the next year. Detailed information on the activities of the regulatory bodies and the key topics and issues discussed during the reporting period is available in the Financial and Operational Activities Management and Supervision section.

In 2016, the main subjects of the discussion included the amendment of the Gas Sales Agreements for 2016–2017, establishing the gas price and supply volumes, as well as advanced repayment of obligations under the project financing.



GOVERNMENT BODIES

Being a socially responsible Company that complies with environmental and social standards, OJSC Severneftegazprom seeks to contribute to the development of the territories of its operations. The Company builds a productive dialog with government agencies to ensure its compliance with all procedures established by law and contribute to the resolution of socially significant objectives. The Company's work in this direction is based on the Public Consultation Plan.

Relations with the regions are governed by the General Cooperation Agreements concluded between the Company and the administrations of the municipal formations of Krasnoselkupsky District, Novy Urengoy, and the Government of the Yamal-Nenets Autonomous Area.

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

- investments in the infrastructure and social sphere;
- reporting on the Company's activity to the supervisory bodies;
- employment of local population;
- tax deductions;
- implementation of projects aimed at development of local communities,
- charity support;
- publishing information on the Company's activity on the corporate website.

In November 2016, the Company's employees took part in the meeting "Yamal – Route to the Arctic" of Natalia Ryabchenko, representative of the Governor of the Yamal-Nenets Autonomous Area, with the youth of Novy Urengoy in a free for all format. The purpose of the event was to bring together the "experts" – management of municipal administration, gas producing enterprises and proactive youth at the round table in order to discuss current regional level problems.

In the reporting period, the Company spent over 60 million rubles on socially important projects as part of the implementation of the General Agreements. The total amount spent by the Company for these purposes in 2006–2016 exceeds 450 million rubles.



CARE FOR INDIGENOUS PEOPLE

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



LOCAL COMMUNITIES

OJSC Severneftegazprom builds its relations with local communities in the regions of its operation based on the principle of social responsibility of business.

Support for social and charity programs and addressing the economic and environmental tasks in the regions of presence are one of the most important parts of the regional policy of OJSC Severneftegazprom and contribute to effective dialog with the wide public.

Interaction with local communities is regulated by the General Cooperation Agreements, as well as through collecting feedback and queries through the designated mailboxes installed specifically for this purpose in the offices of OJSC Severneftegazprom. The key topic which is of interest to the Far North population is the provision of financial aid either under the existing agreements or by request to the Company.

Responsibility for the fulfillment of obligations under the agreements and for the implementation of charitable events in respect of local communities in accordance with the submitted requests lies with OJSC Severneftegazprom's Public Relations Department.

Throughout 2016, all activities on the financing of social and economic development and preservation of culture and customs of the indigenous minorities of the Far North were fully fulfilled within the period of time envisaged by the Cooperation Agreements.

There have been neither disagreements with the local communities and indigenous peoples regarding the Company's activities nor incidents that might imply any infringement of indigenous minorities' interests (related to land and other relevant resources, etc).

OJSC Severneftegazprom implements the programs aimed at providing support for the traditional way of life of the peoples of the North, preservation of their unique culture, and, at the same time, their adaptation to modern economic and social tendencies. It is important for the Company not only to ensure the preservation of cultural



traditions and lifestyle of indigenous minorities of the Far North, but also not to subject them to the negative impact in the course of its operational activities. Because of the territorial remoteness of the Yuzhno-Russkoye oil, gas and gas condensate field from the areas inhabited by the indigenous peoples of the Far North, the Company's activity does not entail any impact on the minorities, including the need to relocate to other regions. Thus, there are no cases of involuntary resettlement either in terms of forced physical relocation or in terms of the disturbance of the economic state (loss of assets or access to resources) of households of the representatives of local communities.

Today we are pleased to state that there have been neither disagreements with the local communities and indigenous peoples of the Far North regarding the Company's current or future work nor incidents that might imply any infringement of indigenous minorities' interests.

The Company considers rendering assistance to the young generation in the regions of its presence to be one of the priority lines of its activities: the Company arranged tours to the Yuzhno-Russkoye oil, gas and gas condensate field for school students from the Tolka village, as well as conducted a number of school events fostering environmental friendliness among the young generation.

PARTNERS AND SUPPLIERS

The procurement activity of OJSC Severneftegazprom is conducted mainly on a competitive basis to ensure the optimal choice of counterparties for the performance of work and provision of services, supply of the goods required for satisfying the demands of the Company's subdivisions in a timely and efficient manner. Competitive procurements are performed in accordance with the corporate regulatory documents.

In the reporting period, the Company carried out 785 procurements (contracts, amendments to contracts, invoices) for a total amount exceeding 3.2 billion rubles. Procurement from the local suppliers registered in the Yamal-Nenets Autonomous Area amounts to 20% (from the total procurement amount). In 2015, this indicator was 11%. The share of competitive procurements of the total number of the Company's procurements in 2016 was 89%. It is worth noting that due to amendments introduced in the Company's procurement system the savings in 2016 exceeded 669 million rubles.

The Company's relations with suppliers are based on the observance of business ethics, and transparent and competitive selection mechanism. In its work with the contractors, OJSC Severneftegazprom complies with the health and safety and environmental protection (HSE) requirements established in the Company.

PUBLIC MEDIA

The public media play an important role in the formation and enhancement of Company's positive image and strengthening its business reputation. An adequate strategy of informational interaction with the public media allows the Company to inform the public about its achievements in a timely manner.

The main objectives of the Company's communication with the public media include:

- development of dialog with the external audience;
- informational support for the Company's activities in the regions of presence;
- promotion of the Company's image.



In 2016, OJSC Severneftegazprom published materials in the federal and regional mass media and in corporate publications of the Company's shareholders, press releases on the Company's website and on the Company's corporate portal, as well as social and production videos in the electronic media.

The Company regularly arranges press tours and tours to the Yuzhno-Russkoye oil, gas and gas condensate field in order to keep the stakeholders informed.

One of the main channels for information disclosure is the OJSC Severneftegazprom corporate website, which provides information on its operational and financial activities, sustainable development, and corporate responsibility. The Company regularly updates and adds material to the website, trying to make it most informative and convenient for the users.



NON-PROFIT AND MUNICIPAL ORGANIZATIONS

OJSC Severneftegazprom implements large-scale programs of investment in the social infrastructure of the regions of its operations and renders targeted aid to organizations and institutions.

In 2016, under the Cooperation Agreement signed between the Government of the Yamal-Nenets Autonomous Area and OJSC Severneftegazprom financial assistance was rendered in the amount of 60 million rubles:

municipal entity of Krasnoselkupsky district for social and economic development;

municipal entity of Novy Urengoy for social and economic development;

municipal entity of Purovsky district for social and economic development;

organization of medical-diagnostic care for seriously ill and disabled children of YNAO;

financing activities for project implementation for the environmental clean-up of the islands Belyi and Vilkitsky.

PERSONNEL

OJSC Severneftegazprom's interaction with the staff is based on respect for the individual and the rights of employees and is governed by local regulations and the Company's Collective Employment Agreement.

The main mechanism for the development of dialog with employees is the intra-corporate communications system. The employees can receive information on the Company's development plans and on the opportunities for their professional and career development in the course of corporate activities. The Company's employees may also send their questions through the feedback and queries mailboxes installed in the Company's offices, as well as through the contact center of OJSC Severneftegazprom (Vopros@sngp.com, phone +7-3494-932-932). In 2016, the Company's management received 5 queries of social and production nature. Personal questions can be discussed by the Company's employees with either the Deputy General Directors or General Director by preliminary appointment. No complaints were received in the reporting period in connection with the infringement of human rights.

Any employee may also address the question of concern to the relevant department or the Company's management, as well as submit a proposal or idea on the optimization of work processes via the Company's corporate portal.

OJSC Severneftegazprom organizes on a regular basis various cultural and sports events aimed at strengthening the team spirit and comradery.





HIGH LEVEL OF CORPORATE MANAGEMENT

The Company is continuously improving the corporate governance system in order to improve its efficiency and compliance with the best world practices.

25 MEETINGS

OF THE BOARD OF
DIRECTORS IN 2016



FINANCIAL AND OPERATIONAL ACTIVITIES MANAGEMENT AND SUPERVISION

CORPORATE GOVERNANCE IS A TOOL FOR ENSURING EFFECTIVE INTERACTION BETWEEN SHAREHOLDERS OF THE COMPANY, THE BOARD OF DIRECTORS AND THE EXECUTIVE BODY.

THE CHARTER, INTERNAL DOCUMENTS, AS WELL AS THE SHAREHOLDER AGREEMENT OF OJSC SEVERNEFTEGAZPROM GUARANTEE TO SHAREHOLDERS THE RIGHT TO PARTICIPATE IN THE MANAGEMENT OF THE COMPANY IN THE AMOUNT PROVIDED FOR BY THE LAW OF THE RUSSIAN FEDERATION. THE COMPANY SEEKS TO IMPROVE CORPORATE GOVERNANCE AND FOLLOW BEST CORPORATE PRACTICES.



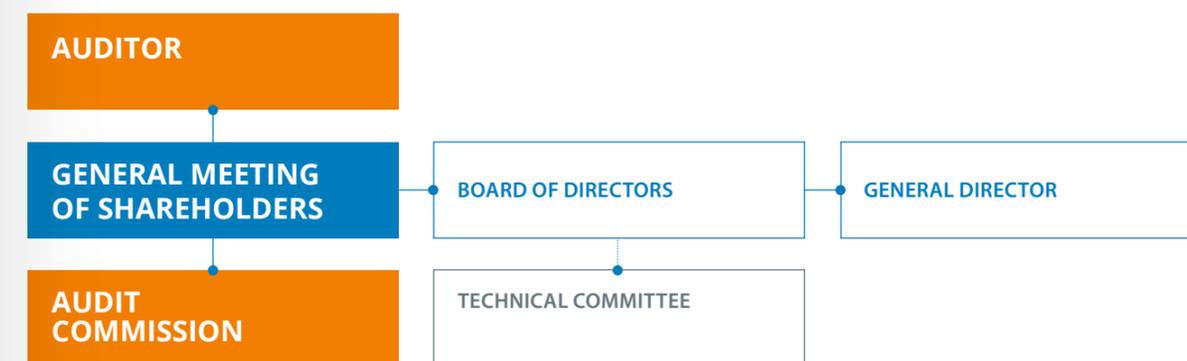
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- General meeting of shareholders
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Corporate Governance Structure

CORPORATE GOVERNANCE CHART OF OJSC SEVERNEFTEGAZPROM



GENERAL MEETING OF SHAREHOLDERS is the supreme regulatory body of the Company used by the shareholders to exercise their rights to take part in the management of the Company.

BOARD OF DIRECTORS is a regulatory body that carries out the overall management of the Company's activities and is responsible for strategic management aimed at attaining the prospective goals and objectives and controlling the Company's operating efficiency.

The Company's Board of Directors has established a Technical Committee of the Board of Directors.

TECHNICAL COMMITTEE OF THE BOARD OF DIRECTORS is an advisory body of the Company's Board of Directors established for preliminary consideration of important issues falling within the scope of the Board of Directors' competence.

GENERAL DIRECTOR is the sole executive body responsible for managing the Company's daily operations and implementing the strategy determined by the Board of Directors.

AUDIT COMMISSION is a body responsible for controlling the Company's financial and business operations that reports immediately to the Company's General Meeting of Shareholders.

For the annual audit of financial statements as per the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), the Company employs an external auditor. The independent auditor is annually approved by the General Meeting of Shareholders at the suggestion of the Board of Directors.

The formation procedure, competences, and functions of the regulatory and control bodies are determined by the Company's Charter and internal documents.

The Charter is available for review to all stakeholders on the Company's website at : <http://www.severneftegazprom.com/>



General Meeting of Shareholders

The year 2016 saw 7 (seven) General Meetings of Shareholders of the Company, including the annual General Meeting of Shareholders.

The Annual Report and the Annual Financial Statement of the Company for 2015 were approved during the annual General Meeting of Shareholders held on June 30, 2016, as well as the members of the Board of Directors, Audit Commission and the Auditor of the Company were elected, and the issues of profit distribution and payment of remuneration to the members of the Board of Directors were considered.

During the Extraordinary General Meeting of Shareholders held on March 10, 2016, the interrelated transactions concluded between OJSC Severneftegazprom and Bank GPB (JSC) were approved, as transactions of particular importance for the Company.

On May 4, 2016 the extraordinary General Meeting of Shareholders adopted the resolution on the early termination of powers of the members of the Board of Directors and election of the new Board of Directors.

Amendments to the long-term Gas Supply Agreements in terms of fixing the price and gas supply volumes were presented for consideration and approved at the extraordinary General Meetings of Shareholders held on June 23, July 29 and December 28, 2016.

The extraordinary General Meeting of Shareholders held on September 30, 2016 adopted the resolution to pay (announce) dividends following the results of work in the first half of 2016.



Board of Directors

Pursuant to the Charter, the Company's Board of Directors shall comprise 8 members.

THERE WERE HELD

25 MEETINGS

OF THE BOARD OF DIRECTORS

IN THE REPORTING YEAR, DURING WHICH

99 ISSUES

ON VARIOUS AREAS OF THE COMPANY'S ACTIVITIES WERE CONSIDERED.

The Board of Directors focused on the important issues of the Company's daily operations:

- Approval of the interested party transactions;
- Approval of proposal to amend the Terms of subsoil usage of Yuzhno-Russkoye plot;
- Considering the nominees proposed by the shareholders to be elected to the Company's Board of Directors;
- Approval of the results of OJSC Severneftegazprom Investment Program;
- Pre-approval of the Annual Report of OJSC Severneftegazprom;
- Approval of the programs for sale of OJSC Severneftegazprom non-core and unclaimed assets;
- Appointing the members of the Technical Committee;
- Approval of the Rules of investment of temporary idle funds of OJSC Severneftegazprom;
- Convocation of extraordinary General Meetings of Shareholders;
- Approval of OJSC Severneftegazprom Investment Programs for 2017.
- Recommendations as to the amount of dividends on the Company's shares and the procedure for their distribution as of the end of the 2015 financial year and the first half of 2016;

While preparing for the extraordinary General Meetings of Shareholders, the Board of Directors considered the following issues:

- Determining the selling price for gas for the second six months of 2016 and for the first six months of 2017;
- Recommendations to the General Meeting of Shareholders to approve the amendments to the long-term gas supply agreements.

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS

	2016	2015	2014
Strategic	7	2	1
including:			
budget planning	5	1	1
Corporate Governance	92	55	64
including:			
transaction approval	65	34	30
preparing for the General Meeting of Shareholders	18	13	23
HR	5	7	8
other	4	1	3
TOTAL	99	57	65

ANNUAL REMUNERATION OF THE BOARD OF DIRECTORS MEMBERS

Based on the resolution of the Company's General Meeting of Shareholders (Minutes No. 41/2016 dated July 1, 2016), following the results of 2015, the remuneration in the total amount of 5,305,500 rubles was paid to the members of the Company's Board of Directors.

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

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

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

Graduated from Moscow Institute of Physics and Technology with a degree in Automatic Control Systems (1978).

PhD in Economic Sciences. Full member of the International Academy of Investments and Construction Economics

From 2005, Deputy Chairman of the Management Committee, PJSC Gazprom.

**ELENA
MIKHAILOVA**

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

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

Master of Business Administration in the Russian Presidential Academy of National Economy.

From 2003, Deputy General Director of Corporate and Property Relations in Gazprom Mezhrefiongaz LLC.

From 2012, Member of the Management Committee, Head of the Department in PJSC Gazprom.

**VSEVOLOD
CHEREPANOV**

Born on November 25, 1966, in the town of Frunze.

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

PhD in Geology and Mineral Sciences.

From 2010, Member of the Management Committee, Head of the Department in PJSC Gazprom.

**ALEXANDER
DUSHKO**

Born on June 22, 1964, in Novodruzhesk.

Graduated from Saint Petersburg State Academy of Engineering and Economics as an Engineer-Economist (1993).

From 2005, Deputy Head of the Department in PJSC Gazprom.

From 2015, Head of the Department in PJSC Gazprom.

**THILO
WIELAND**

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

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

From 2013, Vice President of Strategy and Portfolio Management at Wintershall Holding GmbH.

From 2014, General Manager of Wintershall Libya project.

From 2015, Member of the Management Committee in Wintershall Holding GmbH.

**MARIO
MEHREN**

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

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

From 2011, Member of the Board of Executive Directors in Wintershall Holding AG; Managing Director of Wintershall Lenkoran GmbH and Wintershall Volga Petroleum GmbH.

From 2015, Chairman of the Board of Executive Directors in Wintershall Holding GmbH (former Wintershall Holding AG).

**STEFAN
BERGMAIR**

Born on December 25, 1971.

From 2010, Deputy General Director of CJSC Gazprom YRGM Development.

From 2014, General Director of E.ON E&P Russia (former E.ON Ruhrgas Geological Exploration and Production Russia).

From 2016, Managing Director of Uniper Neftegas Limited Liability Company (former E.ON E&P Russia LLC).

**MAXIM
SHIROKOV**

Born on June 3, 1963, in Moscow.

Graduated from Moscow Military Institute of the Ministry of Defense (1988), Moscow Law Institute (1991), Pacific Coast University (USA), MBA Diploma (1996), London Business School (2003).

From 2012, Chief Executive Officer of Unipro PJSC (former E.ON Russia JSC).

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

COMPOSITION OF THE BOARD OF DIRECTORS
OVER THE PERIOD FROM JANUARY 01 TO MAY 04, 2016

A. Medvedev
E. Mikhailova
V. Cherepanov
A. Dushko
T. Tiessen
M. Mehren
S. Bergmair
F.A. Sivertsen

COMPOSITION OF THE BOARD OF DIRECTORS
OVER THE PERIOD FROM MAY 04 TO JUNE 30, 2016

A. Medvedev
E. Mikhailova
V. Cherepanov
A. Dushko
T. Wieland
M. Mehren
S. Bergmair
M. Shirokov

COMPOSITION OF THE BOARD OF DIRECTORS
OVER THE PERIOD FROM JUNE 30 TO DECEMBER 31, 2016

A. Medvedev
E. Mikhailova
V. Cherepanov
A. Dushko
T. Wieland
M. Mehren
S. Bergmair
M. Shirokov



In the reporting year, the Chairman and the members of the Board of Directors held no shares of the Company.

In the reporting year, the members of the Board of Directors made no Company's shares acquisition and divestment transactions



Technical Committee

For preliminary consideration of the most essential technical issues falling within the scope of the Board of Directors' competence and for obtaining recommendations to make decisions on such issues, the Company has formed a Technical Committee.

The Technical Committee is formed and functions as per the Shareholders' Agreement of OJSC Severneftegazprom and the Regulation on the Technical Committee approved by the Board of Directors.

The Technical Committee consists of 8 members appointed by the Board of Directors. The members are nominated by the Company's shareholders as follows: 4 nominees from PJSC Gazprom and 2 nominees from each of Wintershall Holding GmbH and Uniper Exploration & Production GmbH.

The function of the Technical Committee is to provide recommendations to the Board of Directors on all essential technical issues of the Company's activities that fall within the scope of its competence, including the approval of the Long-Term Development Plan and the Budget, the Draft Additional Field Development Plan, the Additional Field Development Plan, and the Annual Work Program and the Budget as well as any amendments thereto.

The activities of the Committee, which includes members with extensive experience and knowledge in specific areas, enhance the Board of Directors' performance and quality of work and as a result provide efficient monitoring mechanisms for the activities of the Company's executive body.

The members of the Technical Company hold no shares of the Company. In the reporting year, the members of the Technical Committee made no Company's shares acquisition and divestment transactions.

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

No	FULL NAME	PLACE OF EMPLOYMENT	POSITION
1	Vladimir Dmitruk	OJSC Severneftegazprom	General Director
2	Andrey Chernyshev	OJSC Severneftegazprom	Deputy General Director for Economics and Finance
3	Egor Efimochkin	PJSC Gazprom	Head of the Directorate
4	Nazhib Bilalov	PJSC Gazprom	Head of the Department
5	Dr. Rolf Udo Norbert Pilling	Wintershall Russland GmbH	Deputy Managing Director for Technological Development and Support of Joint Ventures
6	Matthias Stollenwerk	Wintershall Russland GmbH	Head of the Exploration and Field Development Department
7	Maxim Stein-Khokhlov	Uniper NefteGaz LLC	Technical Director
8	Igor Rakovich	Uniper NefteGaz LLC	Financial Director



INFORMATION ON THE CHANGES IN THE COMPOSITION OF THE COMPANY'S TECHNICAL COMMITTEE IN THE REPORTING YEAR

COMPOSITION OVER THE PERIOD
FROM JANUARY 1 TO JULY 26, 2016

COMPOSITION OVER THE PERIOD
FROM JULY 26 TO DECEMBER 31, 2016

Vladimir Dmitruk	Vladimir Dmitruk
Yulia Sukhanova	Andrey Chernyshev
Egor Efimochkin	Egor Efimochkin
Nazhib Bilalov	Nazhib Bilalov
Dr. Rolf Udo Norbert Pilling	Dr. Rolf Udo Norbert Pilling
Matthias Stollenwerk	Matthias Stollenwerk
Maxim Stein-Khokhlov	Maxim Stein-Khokhlov
Igor Rakovich	Igor Rakovich



**BACKGROUND PROFILE:****VLADIMIR DMITRUK**

Born on April 15, 1970, in Kaliningrad.

Graduated from the Gubkin State Academy of Oil and Gas with a degree in Oil Well Drilling (1993).

Graduated from the Tyumen State Oil and Gas University with a degree in Economics and Company Management (2003).

PhD in Engineering Sciences.

Information on primary employment for the last 5 years:

March 2007 – February 2015, General Director in Gazprom Severpodzemremont LLC (from 2009 Gazprom Podzemremont Urengoy LLC).

From November 2015, General Director in OJSC Severneftegazprom.

The General Director does not hold any shares of OJSC Severneftegazprom. In the reporting year, the General Director made no Company's shares acquisition and divestment transactions.

The Company's General Director is remunerated based on the individual time-based system of payment for labor providing for payment of salary on the basis of the monthly basic salary set in the Payment for Labor Agreement constituting an annex to the labor agreement and compensation and incentive payments. A list of social guarantees and compensations for the benefit of the General Director is set in the employment agreement.

Executive Body

According to the Company's Charter, the Company has no collegial executive body. The Company's sole executive body is its General Director.

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



Audit Commission

The Audit Commission is a permanent control body independent from the Company's officers, regulatory bodies, and management.

The members of the Audit Commission hold no shares of the Company. In the reporting year, the members of the Audit Commission made no Company's shares acquisition and divestment transactions.

In its activities, the Audit Commission is governed by the Federal Law "On Joint-Stock Companies" the Company's Charter, and the Regulation on the Audit Commission. As per the Company's Charter, the Audit Commission consists of 3 members.

COMPOSITION OF THE COMPANY'S AUDIT COMMISSION AS OF THE END OF THE REPORTING PERIOD

No	FULL NAME	PLACE OF EMPLOYMENT	POSITION
1	Marat Salekhov	PJSC Gazprom	Deputy Head of Department, Head of the Directorate
2	Ingo Lehmann	Wintershall Russland GmbH	Head of the Finance and IT Department of the Moscow Branch
3	Igor Rakovich	Uniper NefteGaz LLC	Financial Director

Information on the Company's Auditor

FINANCIAL AND ACCOUNTING CONSULTANTS, LIMITED LIABILITY COMPANY (FBK LLC).

Member of the Self-Regulated Organization Non-profit Partnership "Auditor's Association The Commonwealth". Principal Number of Registration Entry (PNRE) in the register of auditors and auditors' organizations: 11506030481.

Location: the Russian Federation, Moscow, 44/1, Myasnitskaya Street, Tel.: 8 (495) 737-53-53, Fax: 495 737-53-47.

The auditor is approved by the resolution of the Company's annual General Meeting of Shareholders (Minutes No. 41/2016 dated July 1, 2016).



**CHARTER CAPITAL AND REPORT
ON DIVIDENDS DISTRIBUTION**



Charter Capital

INFORMATION ON THE CHARTER CAPITAL AS OF DECEMBER 31, 2016

The Charter Capital is reflected in the nominal value of ordinary and preferred shares placed by the Company. The Company's Charter Capital is divided into 533,330 shares and as of the end of the reporting period amounts to 39,999,749.4 rubles.

The Company's Charter Capital is fully paid up.

The Ural Federal District Regional Department of the Federal Financial Markets Service registered all issues of the Company's shares.

In the reporting year, the Company raised no monetary or other funds resulting from the issue of its securities.

The Company's securities are not listed with the traders in the securities market and have no market listings.

№	TYPE OF SECURITY	PLACED SHARES		INCLUDING:	
		SHARES (PCS.)	NOMINAL AMOUNT PER SHARE (RUBLES)	FULLY PAID-UP SHARES (PCS)	PARTIALLY PAID AT PAR (RUBLES)
1	Company's Charter Capital amounts to	533,330	–	533,330	No
2	Ordinary shares	533,324	60.00	533,324	No
2.1	including credited to the account	No	No	No	No
3	Preferred shares, including	6		6	No
3.1	Preferred shares Type A	2	2,461,620.00	2	No
3.1.1	including credited to the account	No	No	No	No
3.2	Preferred shares Type B	3	666,692.40	3	No
3.2.1	including credited to the account	No	No	No	No
3.3	Preferred shares Type C	1	1,076,992.20	1	No
3.3.1	including credited to the account	No	No	No	No

INFORMATION ON THE COMPANY'S EQUITY SECURITIES

TYPE OF SECURITIES	NOMINAL VALUE OF EACH SECURITY ISSUED, RUBLES	TOTAL PLACED SECURITIES OF THE ISSUE, PCS.	STATE REGISTRATION NUMBER OF THE ISSUE	STATE REGISTRATION DATE OF THE ISSUE
Registered ordinary shares	60	533,324	1-02-31375-D	05.07.2011
Preferred shares Type A	2,461,620	2	2-10-31375-D	03.10.2011
Preferred shares Type B	666,692.4	3	2-08-31375-D	03.10.2011
Preferred shares Type C	1,076,992.2	1	2-09-31375-D	03.10.2011



Report on the Distribution of Declared (Accrued) Dividends on the Company's Shares

As of the end of 2015, pursuant to a resolution of the Company's Annual General Meeting of Shareholders held on June 30, 2016 (Minutes No. 41/2016 dated July 01, 2016), 5,353,559,000.00 rubles were allocated to the distribution of dividends.

AMOUNT OF DIVIDENDS PAID

CATEGORY (TYPE) OF SECURITY	AMOUNT OF DIVIDENDS PAID TOTAL, IN THOUSAND RUBLES	DATE OF DISTRIBUTION OF DIVIDENDS
Ordinary shares	3,897,387	August 2016
Preferred shares Type A	625,970	August 2016
Preferred shares Type B	254,294	August 2016
Preferred shares Type C	136,911	August 2016

Following the results of the first half of 2016 and pursuant to the resolution of the extraordinary General Meeting of Shareholders held on September 30, 2016 (Minutes No. 43/2016 dated October 05, 2016), 8,500,000,000.00 rubles were allocated for the payment of dividends on all placed shares of OJSC Severneftegazprom.

AMOUNT OF DIVIDENDS PAID

CATEGORY (TYPE) OF SECURITY	AMOUNT OF DIVIDENDS PAID TOTAL, IN THOUSAND RUBLES	DATE OF DISTRIBUTION OF DIVIDENDS
Ordinary shares	6,187,993	November 2016
Preferred shares Type A	993,871	November 2016
Preferred shares Type B	403,750	November 2016
Preferred shares Type C	217,379	November 2016

As of December 31, 2016, dividends were distributed in full and have no arrears.

INFORMATION ON THE CHANGES IN THE COMPANY'S ADDITIONAL CAPITAL

As of December 31, 2016 the amount of the additional capital is 25,099,046 thousand rubles. In the reporting year, the amount of the additional capital did not change.

INFORMATION ON THE CHANGES IN THE COMPANY'S RESERVE FUND

As per the Charter, the Company forms a reserve fund in the amount of 5 percent of its charter capital. As of December 31, 2016, the reserve fund was fully formed and amounted to 2,000,000 rubles.



RISK MANAGEMENT SYSTEM

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- Industry Risks
- Financial Risks
- Legal Risks



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STRUCTURE AND ASSESSMENT OF THE COMPANY'S RISKS

LEGAL RISKS

RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES IN THE RUSSIAN TAX LEGISLATION

RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY'S ACTIVITIES

RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES IN THE RUSSIAN TAX LEGISLATION

FINANCIAL RISKS

RISKS ASSOCIATED WITH INFLATION

INDUSTRY RISKS

TECHNOLOGICAL RISKS

RISKS ASSOCIATED WITH ENVIRONMENTAL POLLUTION

RISKS ASSOCIATED WITH LICENSES

RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS

RISK OF REDUCTION OF SALES VOLUME

AVERAGE

LOW



Industry Risks

In the course of its activities, the Company is exposed to risks associated with its industry, the most critical of which include the prices for raw hydrocarbons and technological risks related to the peculiarities of the production process. The general industry risks also include limitations in transport technology, which may become one of the major obstacles during the implementation of long-term goals of the Company. Exploration and development of fields, treatment and transportation of gas are complex and capital-intensive processes bearing technological and environmental risks. By adhering strictly to the industry requirements and standards, as well as implementing new technologies and equipment at all stages of production, the Company minimizes such risks.

RISK OF REDUCTION OF SALES VOLUME

Risk of reduction of sales volume is related to the probability of a decrease in demand for hydrocarbons in the long term, which, in its turn, may have a negative impact on the project indicators. However, in accordance with the long-term gas sales agreements, the buyer pays for the entire contracted gas volume regardless of the actual offtake, which eliminates this risk for the Company until the expiry of the specified agreements.

RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS

Significant reduction of the market price for gas may affect the cash flows required by the Company for stable operational and business activities. The risk is assessed as low since the Gas Sales Agreements define the price for gas by the formula that takes into account Company's expenses and the required rate of return.

RISKS ASSOCIATED WITH LICENSES

The Company develops the Yuzhno-Russkoye oil, gas and gas condensate field based on the licenses for the subsoil usage rights and for other licensed types of activities.

The Company fully meets the terms of the license agreements and takes all necessary steps to ensure compliance with the current licensing legislation to minimize the said risk.



RISKS ASSOCIATED WITH ENVIRONMENTAL POLLUTION

The Company's operations for the development of the Yuzhno-Russkoye oil, gas and gas condensate field bear potential environmental risks. In this respect, environmental protection is one of the business priorities of the Company. The key design solutions used in the construction and operation of field facilities meet Russian and international environmental protection standards.

TECHNOLOGICAL RISKS

The Company's operational activities at the Yuzhno-Russkoye oil, gas and gas condensate field may be fraught with adverse factors related to the equipment breakdowns or failures. At the same time, the technologies used in gas production, treatment, and transportation meet the up-to-date requirements for reliable and safe equipment operation, thus enabling the Company to minimize the said risks.

At hazardous facilities, the Company uses certified equipment and hardware meeting the latest reliability and safety requirements for their operation. The equipment and hardware are maintained in a timely manner by the Company's personnel or specialized companies, which also reduces the above mentioned risks.





Financial Risks

RISKS ASSOCIATED WITH INFLATION

As of the end of 2016, the inflation rate amounted to 5.4%. The Ministry of Economic Development of the Russian Federation expects the inflation of 4–5% in 2017. In the foreseeable future, however, the inflation will not have a material effect on the Company's financial performance due to its gas pricing mechanism and cost reduction program.

Legal Risks

RISKS ASSOCIATED WITH THE APPLICATION OF AND POSSIBLE AMENDMENTS IN THE RUSSIAN TAX LEGISLATION

A series of substantial amendments have been made to the tax legislation of the Russian Federation during recent years.

To avoid tax risks, the Company regularly monitors the amendments made to the Russian Tax Code and the law enforcement practice with their subsequent application in its activities.

According to the Russian accounting rules, any changes in the tax liabilities for the previous periods are recognized in the financial statements of the period when the changes were actually made.



RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY'S ACTIVITIES

No changes in the judicial practice regarding the issues related to the Company's activities or the rules of court will have a material effect on the Company as it strives to resolve disputes out of court.

Currently, the Company is not involved in any significant legal proceedings and does not bear liability for any third-party debts that may entail any restrictions on the Company's activities.

LEGAL RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES OF CURRENCY LEGISLATION

The Company enters into foreign trade transactions and makes currency operations with non-residents; therefore, any changes in the currency regulation may affect the Company's obligations to its foreign counterparties. In particular, changes in the currency regulation that may pertain to increased control over the currency operations or restrictions may lead to losses under foreign trade contracts and/or delays in their fulfillment. As the Company enters into foreign economic transactions, it is subject to the risks of administrative responsibility for violations of the Russian currency legislation and regulations of the currency regulation authorities, in particular, for failure to meet the single rules for the issuance (reissuance) of transaction certificates, or the established procedure, or deadline for submitting the accounting and reporting forms on currency operations. To comply with the Russian currency legislation when dealing with non-resident companies, the Company's structural subdivisions take measures to ensure appropriate control so that the documents required for currency operations are submitted in a timely and quality manner.





INFORMATION (REPORT) ON OBSERVANCE OF THE PRINCIPLES AND GUIDELINES OF THE CORPORATE GOVERNANCE CODE BY THE JOINT STOCK COMPANY



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• Ethics and Fair Practices

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As a non-public company, OJSC Severneftegazprom strives to comply with the provisions of the Code of Corporate Governance recommended for joint-stock companies, which securities are admitted to the organized trading (Letter of Bank of Russia No. 06-52/2463 dated April 10, 2014). The Company complies with the following provisions of the said document.

I. SHAREHOLDERS' RIGHTS AND EQUAL CONDITIONS FOR SHAREHOLDERS IN EXERCISING THEIR RIGHTS

1.1	The procedure for convocation, preparation, and conduction of a General Meeting of Shareholders is specified in the Company's Charter (approved by the General Meeting of Shareholders on October 29, 2009, minutes No. 7/2009) and the Regulation on General Meeting of Shareholders (approved by the General Meeting of Shareholders on November 2, 2009, minutes No. 8/2009).
1.2	A notice of General Meeting of Shareholders contains all information Company's shareholders may need to make decision on participating in the meeting, including on the premises where the meeting will take place. Non-resident shareholders are additionally provided with the information in English.
1.3	To enhance justification for decision making by the General Meeting of Shareholders, in addition to statutory materials, the Company's shareholders are provided with the following information: <ul style="list-style-type: none"> – Position of the Board of Directors with respect to the General Meeting agenda items (extracts from the Board of Directors Minutes, including a special opinion of a member of the Board of Directors, if any) – When approving interested party transactions, a list of persons recognized as interested parties in the transaction, with the grounds why such persons are recognized as interested ones – Justification of proposed allocation of net profit, including for distribution of dividends and the Company's own needs, with explanation and economic justification of such needs. <p>Moreover, prepared materials on the General Meeting of Shareholders state the shareholder nominating a candidate for election to the Board of Directors.</p>
1.4	The Company allows its shareholders to examine the General Meeting of Shareholders materials if despite mistypes and other insignificant shortcomings a shareholder's request in general makes it possible to determine the shareholder's will and confirm its right to examine the materials, including obtaining their copies.
1.5	The Company enables its shareholders to examine the list of persons entitled to participate in the General Meeting from the date it was obtained by the Company.
1.6	The Company extended the time when shareholders can make suggestions on agenda items of the annual General Meeting of Shareholders from statutory 30 days to 60 days from the end of the calendar year.

1.7	If a shareholder's suggestion contains any mistypes or other insignificant shortcomings, the Company does not refuse to include it in the agenda of the General Meeting of Shareholders and the nominated candidate to the list of candidates for election to the respective Company body of the Company if the content of such a suggestion in general makes it possible to determine the shareholder's will and confirm its right to submit the suggestion.
1.8	The Company engages the Company registrar to act as a counting board when holding a General Meeting.
1.9	It takes one day for the General Meeting of Shareholders held in the form of joint presence to discuss agenda items and make decisions on voting issues. Voting results are summed up and announced before termination of the General Meeting of Shareholders.
1.10	A dividend distribution decision enables a Company's shareholder to obtain comprehensive information on the amount of dividends payable on shares of each category (type)..
1.11	The Company pays out dividends to its shareholders annually distributing the profits received following the results of the year. Dividends are only paid out in cash to shareholders' accounts.
1.12	After a dividend distribution decision is made, the Company gives its shareholders additional notice requiring to update their data necessary to pay out dividends (bank details, postal address, etc.).
1.13	The Company declares dividends only in the case of sufficient profit margin for the reporting year and subject to fulfillment of all investment programs and performance of all obligations under the project financing.
1.14	The Company ensures a reliable method of share right registration by entering into a shareholder register maintenance agreement with a reputable entity holding a statutory license and having tried and tested technologies enabling registration of shareholders' ownership entitlements in the most efficient way (registrar DRAGA JSC).

II. BOARD OF DIRECTORS

2.1	The Board of Directors performs strategic management and controls the activities of the sole executive body of the Company.
2.2	The rights and obligations of members of the Board of Directors are specified and set forth in the Charter and the Regulation on the Board of Directors of the Company (approved by the General Meeting of Shareholders on November 2, 2009, minutes No. 8/2009).
2.3	In accordance with the Company's Charter, the competence of the Board of Directors includes election of the General Director and early termination of his/her office.



2.4	On an annual basis, the Board of Directors approves Company's Annual Program and Budget for the forthcoming year. The Board of Directors also determines the Company's business priorities and approves long-term plans, investment activity programs of the Company, and changes to the current Long-Term Development Program and Budget of the Yuzhno-Russkoye oil, gas and gas condensate field.	2.14	The Board of Directors meetings are held in accordance with the approved work program and when necessary, generally at least once every two months.
2.5	The Annual Report discloses information on the number of meetings of the Board of Directors of the Company held during the previous year and information on the most important agenda items considered by the Board of Directors.	2.15	In accordance with the Charter, notice of the Board of Directors Meeting to be held in praesentia, with materials relating to agenda items attached, shall be given to the members of the Board of Directors not later than 15 calendar days prior to its holding or, if an absentee vote is taken, not later than 20 calendar days prior to its holding.
2.6	The Company's shareholders may submit written requests to the Chairman of the Board of Directors on issues falling within his/her competence and bring to his/her attention their position through both the office of the Chairman of the Board of Directors and a Company's shareholder interaction department.	2.16	The Company's Charter determines the content of a notice of the Board of Directors meeting and the notification procedure ensuring that the notice is promptly received.
2.7	The Board of Directors does not include persons who are members of or hold office in executive bodies or are employees of a legal entity competing with the Company.	2.17	In accordance with the Company's Charter, decisions on the most important matters relating to the Company's activities shall be approved by a unanimous vote of the elected members of the Board of Directors.
2.8	Candidates nominated for election to the Board of Directors give written consent for election to a regulatory body; information on the consent is provided to shareholders in the course of preparation to the General Meeting of Shareholders.	2.18	There is a Technical Committee established in the Company. The main function of the Technical Committee is to provide recommendations to the Board of Directors regarding all significant technical aspects of the Company's activities. The Provision "On Technical Committee" is approved by the decision of the Board of Directors (Minutes No.19/2009 dated October 29, 2009) The Technical Committee consists of 8 members, experts having no vote can be involved in its activity. Members of the Committee are appointed, and their powers are terminated by the Board of Directors.
2.9	All decisions of the Board of Directors are made subject to compliance with environmental protection and social standards adopted by the Company, which conform with respective international standards ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.	2.19	The Technical Committee by the Board of Directors hears the General Director's reports on fulfillment of the Annual Work Program and Budget; on fulfillment of maintenance and overhaul programs; on fulfillment of the facility reconstruction, modernization, and technical upgrade plan; on the Company's performance in health, safety, and environmental protection and on its innovation and inventive activities.
2.10	The Company provides the Board of Director members with information necessary to fulfil their duties in an efficient manner when preparing to Board of Directors meetings (including information in English) as well as additional information upon request of members of the Board of Directors.	III. CORPORATE SECRETARY	
2.11	The duty of managers of main structural subdivisions of the Company to provide information on agenda items of the Board of Directors meetings is set forth in an internal document approved by an order of the General Director.	3.1	The duties of the Secretary of the Board of Directors of the Company are performed by the Deputy General Director on Legal Issues and Corporate Governance V. Veremyanina, having higher education in law and more than ten years of leadership experience. As of year-end 2011, 2012, and 2013, she ranked No. 2 and No. 3 in the Corporate Governance Directors Rating according to the Management Association.
2.12	The Charter allows holding the Board of Directors meetings both in praesentia and by absentee voting and taking into account a written opinion of the member of the Board of Directors absent from a meeting in person to determine the results of voting and whether quorum is available.	3.2	The Secretary of the Board of Directors is elected and his/her powers are terminated by decision of the Board of Directors.
2.13	Minutes of the Board of Directors meeting provides information on how each member of the Board of Directors voted on agenda items of the meeting.	3.3	Within the Company a structural subdivision is created (Corporate Management Department), which provides interaction with shareholders, members of the Board of Directors and the Technical Committee.

**IV. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES, AND OTHER TOP OFFICIALS OF THE COMPANY**

4.1	The level of remuneration payable by the Company to the members of the Board of Directors, the executive body, and other key employees creates sufficient motivation for their efficient performance and allows the Company to engage and retain competent and skilled specialists.
4.2	The members of the Board of Directors are paid a fixed annual remuneration in cash based on the basic amount of remuneration subject to the number of meetings where the member of the Board of Directors took part.

V. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

5.1	There is a separate structural subdivision in the Company to exercise internal control being the Internal Control Department.
5.2	The anti-corruption policy is approved in the Company (section of the Code of Corporate Ethics) to determine measures aimed at creating elements of corporate culture, organizational structure, and rules and regulations preventing corruption.

VI. DISCLOSURE OF COMPANY INFORMATION, INFORMATION POLICY

6.1	There are procedures introduced in the Company by decision of the General Director to ensure coordination of all services and structural subdivisions connected with information disclosure or which activities may necessitate such disclosure.
6.2	Information on the Company's activities available on the official corporate website of the Company is sufficient to form an objective view of material aspects of its activities.
6.3	The Company discloses on its official corporate website information on the corporate governance system, the executive body, composition of the Board of Directors and Technical Committee, as well as information on compliance with principles and recommendations of the Code of Corporate Governance (Annual Reports of the Company).

6.4	The official website also discloses information on the key areas of the Company's activities, its capital structure, including the number of voting shares with breakdown by share category (type) and shareholders owning over 5% of the Company's Charter Capital, social and environmental responsibility data, including the Company's internationally recognized GRI Sustainable Development Report (integrated into the Annual Report).
6.5	Moreover, the Company's official site discloses information on the Company's financial standing by making available the Annual and interim Financial Statements of the Company prepared under the International Financial Reporting Standards (IFRS). In addition to the data required by legislation, the Company includes in the Annual Report the following supplementary information: – Messages to shareholders from the Chairman of the Board of Directors and the General Director of the Company, with performance appraisal for the year; – Information on the Company's securities; – Key performance indicators of the Company; – Annual Company's achievements against planned; – Investment projects and strategic objectives of the Company; – Prospects for the Company's development (sales, performance, growth of income, profitability, gearing ratio); – Description of the corporate governance system in the Company; – Description of the Company's social policy, social development, employees' healthcare, their professional training, promotion of occupational safety; – Information on the Company's environmental protection policy.
6.6	The Company does not refuse to satisfy shareholder's requests for access to documents or provision of document copies in case of mistypes or other insignificant shortcomings in the request.
VII. SIGNIFICANT CORPORATE ACTIONS	
7.1	The Charter establishes a list of major transactions. Consideration of such transactions and approval of their terms and conditions are in the competence of the Board of Directors.



Ethics and Fair Practices

IN 2014, THE COMPANY APPROVED AND INTRODUCED THE CODE OF CORPORATE ETHICS ESTABLISHING THE MAIN CORPORATE VALUES AND THE MOST IMPORTANT RULES OF BUSINESS CONDUCT BASED ON SUCH VALUES AND ADOPTED IN THE COMPANY. THE CODE OF CORPORATE ETHICS APPLIES TO ALL EMPLOYEES AND CONTRACTORS OF THE COMPANY.

The Code of Corporate Ethics shall be examined by all new employees of the Company when hired. Besides, the Company provides regular training events to explain the main rules of business conduct established by the Code.

The Corporate Ethics Committee is responsible for ensuring compliance with the requirements and provisions of the Code.

There is a procedure established in the Company for submitting requests for advice on ethic and law-abiding conduct and unfair practice issues.

Such conduct shall be reported to::

Line manager;

Corporate Ethics Committee.

The interaction is carried out by e-mail or oral advice by phone. The Corporate Ethics Committee treats all requests as confidential. Anonymous messages are also subject to consideration. The Company guarantees that its employees reporting violation of the Code of Corporate Ethics will not suffer any negative consequences affecting their employment status.

The Corporate Ethics Committee has the overall responsibility for the reporting structure.

In 2016, the Committee considered two matters related to the conflict of interests, as well as carried out several oral consultations on the issues of application of the Code of Corporate Ethics. No unethical or unlawful conduct, as well as no unfair practice issues in the Company were reported.

The anti-corruption enforcement policy aimed at bringing the anti-corruption measures taken in the Company in line with the current legislation is an important part of the Code of Corporate Ethics. The anti-corruption enforcement policy is implemented subject to the corruption risks inherent to the Company's activities. OJSC Severneftegazprom openly informs its counterparties, partners, and general public on anti-corruption business standards adopted in the Company. The Company's management is actively involved in creating a culture that is intolerant to corruption and a system for in-house corruption prevention and fighting.

The Company's employees are informed on the anti-corruption enforcement policies and methods in accordance with Russian Federal Law No. 273-FZ dated December 25, 2008, and the Code of Corporate Ethics. No facts of corruption in the Company were revealed or confirmed in the reporting period.

OJSC SEVERNEFTEGAZPROM CORPORATE VALUES AND ETHICAL PRINCIPLES:

PROFESSIONALISM	Deep knowledge of the specialty, timely and qualitative performance of tasks, continuous improvement of knowledge and skills.
INITIATIVE	Activity and independence of employees in the optimization of the process flow.
PRUDENCE	Responsible and cautious approach to the use of Company's assets, to own and other employees' working time.
MUTUAL RESPECT	Team spirit in the work, trust, goodwill, and cooperation in the process of solving working tasks.
HONESTY	Honest actions following ethical and legal standards, willingness to take personal responsibility for own actions.
OPENNESS FOR DIALOGUE	Open and honest exchange of information, willingness to collaborate to develop an optimal solution.
SOCIAL RESPONSIBILITY	Responsibility to colleagues and partners, preservation of the environment and support of indigenous minorities of the North.
CONTINUITY	Respect for the work and experience of older generations, communication of newcomers and veteran workers, professional training and mentoring.
IMAGE	Use of techniques and strategies to create a positive opinion of the Company.



Registration Details

FULL TRADE NAME IN RUSSIAN:

Открытое акционерное общество «Севернефтегазпром»

Short trade name of the Company in Russian:

ОАО «Севернефтегазпром»

Full trade name in English:

Open Joint-Stock Company Severneftegazprom

Short name of the Company in English:

OJSC Severneftegazprom

LEGAL AND POSTAL ADDRESSES:

Legal address: 22 Lenina St., village of Krasnoselkup, Krasnoselkup District, Yamalo-Nenets Autonomous Area, 629380, Russian Federation

Postal address: P.O.Box 1130, Novy Urengoy, Yamalo-Nenets Autonomous Area, 629300, Russian Federation

E-mail: sngp@sngp.com

INFORMATION SOURCES IN WHICH THE COMPANY DISCLOSES INFORMATION IN COMPLIANCE WITH THE STOCK MARKET LEGISLATION:

Webpage of OJSC Severneftegazprom on the Internet at <http://www.e-disclosure.ru/portal/company.aspx?id=16965>, provided to the Company by Interfax Information Agency (CJSC Interfax-CRKI is the authorized news agency for disclosing of information in the Russian the stock market).

News feed, an information resource updated in real time at <http://www.e-disclosure.ru/>.

Additionally OJSC Severneftegazprom publishes information on the Company's website at <http://www.en.severneftegazprom.com/>.

THE COMPANY'S STATE REGISTRATION DATE AND REGISTRATION NUMBER:

Certificate No. 1231 series PR-1 of the company's state registration issued to LLC Severneftegazprom on March 10, 1998, by the Administration of Purovsky District, YNAO, based on Resolution No. 184 dated March 10, 1998.

Certificate No. P-16625.16 of registration and entry in the state register of commercial entities issued to OJSC Severneftegazprom on June 15, 2001, by the State Registration Chamber under the Ministry of Justice of the Russian Federation in connection with reorganization in the form of conversion of LLC Severneftegazprom based on Minutes No. 5 of the extraordinary General Meeting of Members dated June 1, 2001 (previous registration number: P-16447.15 dated May 31, 2001).

Certificate of entry into the Unified State Register of Legal Entities of a legal entity before July 1, 2002, under Main State Registration Number 1028900699035 dated December 19, 2002, issued by the Interdistrict Inspectorate of the Ministry of Taxation No. 3 for Yamalo-Nenets Autonomous Area.

INFORMATION ON THE COMPANY'S REGISTRAR:

JSC Specialized Registrar – Gas Industry Shareholders' Registrar (JSC DRAGA).

Location and postal address: 117420 Moscow, Novocheremushkinskaya street 71/32, Phone: (495)719-40-44, Fax: (495) 719-45-85.

Register maintenance operations license No. 045-13996-00000 dated December 26, 2003, issued by the Federal Securities Market Commission of Russia for an indefinite term.



CORE ACTIVITIES:

Yuzhno-Russkoye oil, gas and gas condensate field development and construction of facilities;

Exploration;

Production, transportation, and sales of the hydrocarbons produced and other raw materials;

Activities as a building contractor;

Cargo transportation and transport of passengers by both the Company's own and leased motor vehicles;

Basic medical care and management of a first aid unit.

LICENSES:

The Company holds a license for hydrocarbon geological survey and production within the Yuzhno-Russkoye subsoil plot located in Krasnoselkupsky District, Yamalo-Nenets Autonomous Area, Tyumen Region. Series SLKH No. 11049 NE. Issued on December 23, 1993. Valid until December 31, 2043.

Moreover, the Company holds over 10 permits (licenses) for other types of activities and is a member of Association of Gas and Oil Industry Constructors Non-Profit Partnership and the International Business Congress.

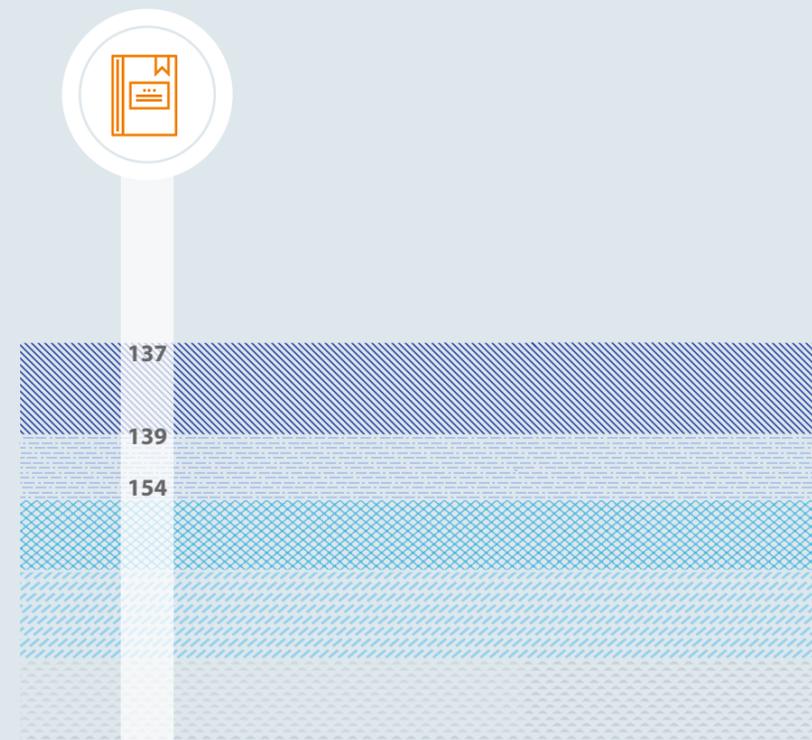
COMPANY'S REPRESENTATIVE OFFICES

OJSC Severneftegazprom has representative offices and standalone subdivisions in Novy Urengoy, the settlement of Urengoy, Tyumen, and Moscow. The Company has no subsidiaries or affiliates.

CONCLUSION

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- Reporting Compilation Principles
- Information Disclosure
- Feedback Form



Reporting Compilation Principles

The Company's management confirms that it bears responsibility for the accuracy of the sustainable development information contained in this Report and designed to meet the target users' justified need in such information.

The structural subdivision of the Deputy General Director for Development and Strategic Planning of OJSC Severneftegazprom is responsible for preparing non-financial statements and determining the key priorities of their contents. The key topics and issues, significant both for the Company and the general public were determined in the course of interaction with the stakeholders and with the heads of subdivisions responsible for economic, social, and ecological activities of the Company, included in the Sustainable Development Work Group.

The scope and level of information disclosure on the key aspects included in this Report were determined. They include the financial and economic results, well-being of the employees, their professional development, social projects in the regions of presence, and environmental safety. Special attention is paid to the matters of occupational health and industrial safety, which is the evidence of the Company's striving for the constant improvement of performance in this area, as well as to the volume of investments and labor costs.



The Report provides information on the activities of all structural subdivisions of OJSC Severneftegazprom related to the social sphere and results achieved in environmental protection and industrial safety in the calendar year 2016.

For the preparation of the Sustainable Development Report in accordance with the Guidelines of Global Reporting Initiative (GRI), the data were collected and organized based on the in-house information inquiries.

The main purpose of OJSC Severneftegazprom is to ensure easy access to information on its activities. The full disclosure of information and ensuring the quality of the published data constitute the main value of the Report and are realized based on the principles of international reporting on sustainable development. The main approach to the preparation of this Report involves the use of balanced, reliable, and relevant information on the economic, social, and environmental activities of the Company.





1. MATERIALITY. The Report covers all essential topics, issues, and indicators of the economic, environmental, and social impact of the Company's activities, taking into account the assessment of the results of such activities in the reporting period by the Company's management and the interest of stakeholders.

2. INTERACTIONS WITH STAKEHOLDERS. The Company has a systematized method for interaction with the stakeholders, which helps to reasonably consider public opinions and expectations.

3. SUSTAINABLE DEVELOPMENT CONTEXT. The Report contains the balanced and grounded information covering all the aspects of the Company's sustainable development.

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

5. BALANCE. The Report contains the information both on the Company's achievements and on the necessity to improve certain processes.

6. COMPARABILITY. In information disclosure, the Company was guided by the GRI standard for preparing the information on sustainable development. Adoption of the new GRI standard did not affect the possibility to compare the Report data with the information provided in the Annual Reports for the previous periods. Reporting boundaries remained unchanged. The Report contains no revised formulations compared to previous year's report.

7. ACCURACY. The Company seeks to represent the results of its activities accurately and completely, so that the stakeholders could assess them objectively. To that end, both qualitative descriptions and quantitative information, based on the data of financial and statistical statements, are used.

8. TIMELINESS. The preparation of this Report is performed on a scheduled basis and includes the process of interaction with internal and external stakeholders, certification by the auditors, and publication.

9. CLARITY. The Report presents information in a clear and understandable form, without using highly specialized technical terminology etc. and without providing data requiring special knowledge. The Report contains numerous tables, charts, and graphs for visual representation of the information.

10. RELIABILITY. The Report contains reliable information that can be verified and confirmed. Some data contained in the Report on the results of the Company's activities in the area of sustainable development was independently approved by NP Consult.



Information Disclosure

APPENDIX 1

LIST OF TRANSACTIONS ENTERED INTO BY THE COMPANY IN 2016 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

The Company did not enter into any transactions recognized as major transactions in accordance with the Federal Law "On Joint-Stock Companies", as well as other transactions to which the approval procedure for major transactions applies in accordance with the Company's Charter in the reporting period.

LIST OF TRANSACTIONS ENTERED INTO BY THE COMPANY IN 2016 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
1	Contract with Gazprom Gazobezopasnost LLC for performance of gas hazardous maintenance and repair operations on wells. Contract price 2,092,483.98 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 114/2016 dated February 29, 2016
2	Contract with TyumenNllgiprogaz LLC for Design Supervision Services (development of well No. 1902). Contract price 542,320 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 114/2016 dated February 29, 2016.
3	Contract with TyumenNllgiprogaz LLC for Design Supervision Services (development of well No. 3). Contract price 87,224 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 114/2016 dated February 29, 2016.
4	Contract for Voluntary Health Insurance with SOGAZ Joint-Stock Company. Contract price 64,181,120 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 116/2016 dated March 25, 2016.
5	Property Insurance Contract No. 16 PT 0035 with SOGAZ JSC and Amendment thereto with SOGAZ JSC and LONDON OFFICE of ING BANK N. V. Contract price 73,770,531.98 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 116/2016 dated March 25, 2016.
6	Environmental Insurance Contract No. 16 EL 0545 with SOGAZ JSC and Amendment thereto with SOGAZ JSC and LONDON OFFICE of ING BANK N. V. Contract price 2,400,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 116/2016 dated March 25, 2016.
7	Agreement for provision of extended electronic document flow services with Bank GPB (JSC). The price of the contract is determined based on the bank rates.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 117/1/2016 dated May 04, 2016.



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
8	Agreement for provision of standard electronic document flow services with Bank GPB (JSC). The price of the contract is determined based on the bank rates.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 119/2016 dated May 23, 2016.
9	Contract with Gazprom Georesource LLC for performance of geophysical surveys and works in the well during inspection of Yuzhno-Russkoye field development. Contract price 71,020,920.60 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 123/2016 dated May 30, 2016.
10	Contract for performance of operational tests of gas-using equipment concluded with Firma Gaznergonaladka LLC. Contract price 2,881,123 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 123/2016 dated May 30, 2016.
11	Addendum to the Contract No. 3.1.1/7-2015 dated November 27, 2015 with Gazprom Georesource LLC. Change of the works' commencement period – September 25, 2015, works completion period – July 01, 2016.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 123/2016 dated May 30, 2016.
12	Contract No. 1/2016 with SOGAZ JSC for mandatory third party liability insurance of motor vehicle owners (OSAGO). Contract price 881,220.25 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 124/2016 dated June 10, 2016.
13	Contract No. 2516 MT 0060 with SOGAZ JSC for vehicles insurance. Contract price 4,519,057.74 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 124/2016 dated June 10, 2016.
14	Contract No. 766-2016 with TyumenNllgiprogaz LLC for provision of design supervision services for YROGCF well construction. Contract price 207,206 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 125/2016 dated June 17, 2016.
15	Addendum No. 1 to the Contract No. 0172-2015 dated November 23, 2015 for performance of survey works, concluded with TyumenNllgiprogaz LLC. Change of the works execution period: commencement – October 2015, completion – October 2016.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 125/2016 dated June 17, 2016.
16	Addendum No. 1 to the Contract No. 1805 dated June 01, 2015 with TyumenNllgiprogaz LLC. Change of the works execution period: commencement – June 16, 2016, completion – February 09, 2017.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 125/2016 dated June 17, 2016.
17	Residential premises gas supply agreement with Gazprom Mezhrefiongaz Sever LLC. Contract price 22,947 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 127/2016 dated June 30, 2016.
18	Contract No. 244-2016 with TyumenNllgiprogaz LLC for performance of work provided for by the Geological assignment on the topic "Recalculation of initial hydrocarbon reserves in the Lower cretaceous deposits of Yuzhno-Russkoye field as on January 01, 2017". Contract price 50,000,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 127/2016 dated June 30, 2016.
19	Employment contract signed between OJSC Severneftegazprom and its General Director V. Dimitruk. Contract price 54,538.06 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 128/2016 dated July 27, 2016.
20	Addendum No. 2 to the Contract No. 3.1.2/7-2015 dated November 27, 2015 with Gazprom Georesource LLC. Change of the works' commencement period: September 25, 2015, works completion period: December 31, 2016.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 129/2016 dated September 01, 2016.



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
21	Contract with Gazprom VNIGAZ LLC for services of arrangement of participation in the 5 th International conference "Modern technical innovative solutions aimed at improving the efficiency of reconstruction and technical upgrade of hydrocarbon production facilities" from October 13 to October 13, 2016. Contract price 58,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 130/2016 dated 9/29/2016.
22	Lease Agreement No. 12-AB with Bank GPB (JSC) for placement of ATM in the administrative building of OJSC Severneftegazprom in Novy Urengoy. Contract price 1,694.91 rubles per month (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 130/2016 dated September 29, 2016.
23	Addendum No. 3 to the Gas Supply Agreement No. 25 Pk-2007 dated December 13, 2007 with Gazprom PJSC. Change of the Company's bank details	Company's shareholder, PJSC Gazprom Members of the Board of Directors: A. Medvedev, V. Cherepanov, E. Mikhailova	Board of Directors, Minutes No. 131/2016 dated November 10, 2016.
24	Addendum No. 20 to the Gas Supply Agreement No. 28 Pk-2007 dated December 13, 2007 with Gazprom YRGM Trading CJSC. Change of the Company's bank details.	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 131/2016 dated November 10, 2016.
25	Addendum No. 16 to the Gas Supply Agreement No. 144/SNGP-2009 dated October 29, 2009 with Gazprom YRGM Development JSC. Change of the Company's bank details.	Company's shareholder, PJSC Gazprom Member of the Board of Directors S. Bergmair.	Board of Directors, Minutes No. 131/2016 dated November 10, 2016.
26	Contract No. 10AN/SNGP-2016 with TyumenNllgiprogaz LLC for the provision of design supervision services at the construction facility "Additional equipment of Auxiliary Power Supply Complex. Power Module (2xGas Turbine Plants 1.8) No. 4, inv. No. 4786. Contract price 562,080 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
27	Addendum No. 2 to the Contract No. 0172-2015 dated November 23, 2015 for performance of survey works, concluded with TyumenNllgiprogaz LLC. Change of the works execution period: commencement: October 2015, completion: December 2016	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
28	Contract for provision of blowout and gas safety services in the operation of wells of Yuzhno-Russkoye field with Gazprom Gazobezopasnost LLC. Contract price: 14,516,064 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
29	Contract for performance of design and survey works for the project: "Development of Yuzhno-Russkoye oil and gas field. Gas Processing Facility. Booster compressor station No. 2" with Gazprom Proektirovanie LLC. Contract price 58,441,632 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
30	Addendum No. 1 to the Contract No. 47-16-1 dated July 04, 2016 for expert examination of design documents for construction of exploration wells No R-61, No. R-62 with Gazprom Promgaz JSC. Change of the works execution period: commencement: July 2016, completion: December 2016	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
31	Contract No. 595-2016 with TyumenNllgiprogaz LLC for gas water content measurement on three wells of Yuzhno-Russkoye oil and gas field. Contract price 804,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 135/2016 dated December 28, 2016.
32	Contract for Accident and Illness Insurance dated April 11, 2016 with SOGAZ JSC. Contract price: 1,773,100 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 35/2015 dated July 02, 2015.



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
33	Contract No. 16 GL 0544 for Third-Party Liability Insurance with SOGAZ JSC. Contract price 860,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 35/2015 dated July 02, 2015.
34	Contract No. 16 DR 015 for insurance of wells, builder's risks during works performance of well operations with SOGAZ JSC. Contract price 23,707,002.44 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 35/2015 dated July 02, 2015.
35	Addendum No.1 to the General Agreement No. 34/SNGP-2009 of March 11, 2009 on the procedure for conducting deposit transactions with Bank GPB (JSC) and bank deposit agreements concluded as part of the General Agreement. Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, holds more than 20% of voting shares of a counterparty to the transaction. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%, and in the authorized capital of Bank GPB (JSC) – more than 20%.	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 38/2016 dated March 14, 2016.
36	Contract with Gazprom Dobycha Urengoy LLC for provision of services for arrangement and holding staff meeting at Gazdobytychik Cultural and Sports Center. Contract price 296,610.17 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
37	Contract with Gazprom Dobycha Urengoy LLC for services of pre-trip and post-trip medical examinations of vehicle drivers. Contract price 768,600 rubles. (exempt from VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
38	Contract with Gazprom Inform LLC for provision of agency services for software sub-licensing (Eclipse Parallel, MEPO, ResView). Contract price 20,804 US dollars 97 cents.	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
39	Contract with Gazprom Komplektsiya LLC or supply of chemicals (Methanol, Tri-Ethylene Glycol). Maximum contract value 82,500,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
40	Contract with Gazprom Space Systems JSC for provision of data transmission services, with the exception of telecommunication services for voice data transfer, for provision of communication channels based on the valid licenses. Contract price 240,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
41	Contract with Gazprom Svyaz LLC for provision of phone services with the access to Gazprom PJSC network and arrangement of teleconference meetings via Gazprom PJSC network. Contract price 150,600 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
42	Service Contract with Gazprom Telecom LLC for provision of equipment and E1 communication channel in Moscow. Contract price 479,735.52 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
43	Service Contract with Gazprom Transgaz Surgut LLC for placement of two radio relay antennas at antenna mast structure. Contract price 193,008 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
44	Contract with Gazprom Transgaz Surgut LLC for performance of maintenance works on sales gas line of Yuzhno-Russkoye oil and gas field. Contract price 47,867,540 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
45	Contract with Gazprom Transgaz Surgut LLC pursuant to which OJSC Severneftegazprom supplies electric power to the completed construction project "Development of gas infrastructure in Krasnoselkup village of Krasnodar region, Yamal-Nenets Autonomous Area" owned by Gazprom Transgaz Surgut LLC. Contract price 282,677.97 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
46	Contract with Gazprom YRGM Trading CJSC, pursuant to which OJSC Severneftegazprom committed oneself to lease non-residential premises with a total floorspace of 10.46 sq. m, located at: Russian Federation, Yamal-Nenets Autonomous Area, Krasnoselkupsky District, village of Krasnoselkup. 22, Lenin str. Contract price 443,541.07 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
47	Contract with Gazpromneft-Corporate Sales LLC, pursuant to which Gazpromneft-Corporate Sales LLC provides petroleum products supply services via a chain of filling stations. Contract price 762,711.86 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
48	Contract with Gazpromneft-Regional Sales LLC, pursuant to which Gazpromneft-Regional Sales LLC is the seller of fuel and supplies diesel fuel, gasoline. Contract price 26,627,404.2 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
49	Contract with Orgenergogaz JSC, pursuant to which Orgenergogaz JSC provides software and information support and maintenance services to Infotech Systems' terminal. Contract price 1,398,305.08 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
50	Addendum No. 1 dated December 01, 2016 to the Insurance Contract No. 16 DR 015 with SOGAZ JSC, pursuant to which SOGAZ JSC provides the Company's property and liability insurance services. Addendum price (insurance premium) 24,681,205.76 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
51	Contracts with Specialized Registrar – Gas Industry Shareholders' Registrar JSC, pursuant to which Specialized Registrar – Gas Industry Shareholders' Registrar JSC provides counting board services during the General Meeting of Shareholders of OJSC Severneftegazprom. Maximum contracts value 300,000 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
52	Contract with TyumenNllgiprogaz LLC, pursuant to which TyumenNllgiprogaz LLC committed oneself to provide services for "Design Supervision of Technological Project for Development of the Cenomanian Gas Deposit at Yuzhno-Russkoye field", and "Design Supervision of Addendum to Reservoir Management Plan of the Turonian Gas Deposit at Yuzhno-Russkoye field". Contract price 31,805,908.02 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
53	Contract with TyumenNllgiprogaz LLC, pursuant to which TyumenNllgiprogaz LLC committed oneself to provide services for the completion of "Technological Project for Development of the Cenomanian Gas Deposit at the Yuzhno-Russkoye field". Contract price 33,281,000.00 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
54	Addendum No. 22 to the Gas Supply Agreement No. 25 Pk-2007 dated December 13, 2007 concluded with Gazprom PJSC, for setting the gas price in the second half of 2016 at 2,208 rubles 02 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, is a party to a transaction, members of the Board of Directors of the Company hold offices in the Management Committee of Gazprom PJSC. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%.	Company's shareholder, PJSC Gazprom Members of the Board of Directors: A. Medvedev, V. Cherepanov, E. Mikhailova	General Meeting of Shareholders, Minutes No. 42/2016 dated July 29, 2016.



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT APPROVED THE TRANSACTION
55 Addendum No. 19 to the Gas Supply Agreement No. 28 Pk-2007 dated December 13, 2007 concluded with Gazprom PJSC, for setting the gas price in the second half of 2016 at 2,208 rubles 02 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, holds more than 20% of voting shares of a counterparty to the transaction. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%, and in the authorized capital of Gazprom YRGM Trading CJSC – more than 20%.	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 42/2016 dated July 29, 2016.
56 Addendum No. 15 to the Gas Supply Agreement No. 144/SNGP-2009 dated October 29, 2009 concluded with Gazprom PJSC, for setting the gas price in the second half of 2016 at 2,208 rubles 02 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, owns more than 20% of voting shares of counterparty to the transaction, member of the Board of Directors of the Company holds office in the Board of Directors of Gazprom YRGM Development JSC. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%, and in the authorized capital of Gazprom YRGM Development JSC – more than 20%.	Company's shareholder, PJSC Gazprom Member of the Board of Directors S. Bergmair.	General Meeting of Shareholders, Minutes No. 42/2016 dated July 29, 2016.
57 Addendum No. 24 to the Gas Supply Agreement No. 25 Pk-2007 dated December 13, 2007 concluded with Gazprom PJSC, for setting the gas price in the first half of 2017 at 2,037 rubles 50 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, is a party to a transaction, members of the Board of Directors of the Company hold offices in the Management Committee of Gazprom PJSC. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%.	Company's shareholder, PJSC Gazprom Members of the Board of Directors: A. Medvedev, V. Cherepanov, E. Mikhailova	General Meeting of Shareholders, Minutes No. 44/2016 dated December 30, 2016.
58 Addendum No. 21 to the Gas Supply Agreement No. 28 Pk-2007 dated December 13, 2007 concluded with Gazprom YRGM Trading CJSC, for setting the gas price in the first half of 2017 at 2,037 rubles 50 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, holds more than 20% of voting shares of a counterparty to the transaction. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%, and in the authorized capital of Gazprom YRGM Trading CJSC – more than 20%.	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 44/2016 dated December 30, 2016.
59 Addendum No. 17 to the Gas Supply Agreement No. 144/SNGP-2009 dated October 29, 2009 concluded with Gazprom YRGM Development JSC, for setting the gas price in the first half of 2017 at 2,037 rubles 50 kopecks for 1,000 cu m of gas (ex VAT). Grounds: the Company's shareholder holding more than 20% of the Company's voting shares, owns more than 20% of voting shares of counterparty to the transaction, member of the Board of Directors of the Company holds office in the Board of Directors of Gazprom YRGM Development JSC. Gazprom PJSC participatory interest in the authorized capital of the Company is 40.00045%, and in the authorized capital of Gazprom YRGM Development JSC – more than 20%.	Company's shareholder, PJSC Gazprom Member of the Board of Directors S. Bergmair.	General Meeting of Shareholders, Minutes No. 44/2016 dated December 30, 2016.
60 Addendum No. 1 dated December 13, 2016 to the Property Insurance Contract No. 16 PT 0035 with SOGAZ JSC. Maximum contract value (insurance premium) 76,539,600 rubles (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 41/2016 dated July 01, 2016.
61 Contract No. 09FN/SNPG-2016/11296 with Gazpromengineering SOJSC for provision of design supervision services at the facility "Modernization and Additional Equipping of the Security Equipment at Yuzhno-Russkoye field (inv. 7419). Contract price 1,059,097.80 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 35/2015 dated July 02, 2015.
62 SOGAZ JSC policies of mandatory third-party liability insurance of the owner of hazardous facility for causing harm as a result of accident at a hazardous facility, series 111. Maximum insurance premium 342,500 rubles. (ex VAT).	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders, Minutes No. 35/2015 dated July 02, 2015.



APPENDIX 2 GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
STRATEGY AND ANALYSIS			
G4-1	Message from the Chairman of the Board of Directors	4	No
	Message from the General Director	5	
G4-2	Major Risk Factors Associated with the Company's Activities	123–127	No
ORGANIZATIONAL PROFILE			
G4-3	Registration Details	134	No
G4-4	Status of Raw Materials Base	21	No
G4-5	Registration Details	134	No
G4-6	Status in the Industry and Development Prospects	13–14	No
	Registration Details	134	
G4-7	Registration Details	134	No
G4-8	Status in the Industry and Development Prospects	13–14	No
G4-9	Financial Performance Report Indicators	52–53	No
	Staff Size and Composition	86–89	
	Registration Details	135	
G4-10	Staff Size and Composition	86–89	No
G4-11	Remuneration and Staff Social Support	91–92	No
G4-12	Interactions with Stakeholders	98–104	No
G4-13	There were no changes in the share capital structure in 2016		No
G4-14	The Company adheres to principle 15 of the UN Declaration on Environment and Development adopted in Rio de Janeiro on June 3-4, 1992		No
G4-15	The Company does not subscribe to any externally developed charters		No
G4-16	The Company is a member of Non-Profit Partnership, Self-Regulating Organization "Association of Gas and Oil Industry Constructors" and International Business Congress		No
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Defining the Priorities	67–68	No
G4-18	Reporting Compilation Principles	137–138	No
G4-19	Defining the Priorities GRI Content Index. Specific Standard Disclosures	67–68 147–151	No
G4-20	Reporting Compilation Principles GRI Content Index. Specific Standard Disclosures	137–138 147–151	No
G4-21	Reporting Compilation Principles GRI Content Index. Specific Standard Disclosures	137–138 147–151	No
G4-22	Reporting Compilation Principles	138	No
G4-23	Reporting Compilation Principles	137–138	No
INTERACTIONS WITH STAKEHOLDERS			
G4-24	Interactions with Stakeholders	98	No
G4-25	Interactions with Stakeholders	98	No



ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
G4-26	Interactions with Stakeholders General Meetings of Shareholders, where the most important issues of the Company's activities are submitted for discussion, are held 2-4 times a year. Meetings of the Board of Directors are held regularly in accordance with the annual work schedule at least once a quarter to interact with the shareholders' representatives for discussion of strategic and daily issues of the Company's activities. Meetings of the The Technical Committee for the purpose of preliminary discussion and preparation of recommendations for the Board of Directors regarding all essential technical issues of the Company's activity are held regularly in accordance with the annual work schedule at least once a quarter The Company discloses information on one's activities on its official corporate website and on the website of Interfax information agency, as well as it ensures the provision of such information upon requests of the shareholders (on a regular basis, in compliance with the requirements of the law and local regulations of the Company)	98-99 102-104	No
G4-27	Interactions with Stakeholders No concerns have been raised by stakeholders as part of stakeholder engagement during the reporting period	99 102-104	No
REPORT PROFILE			
G4-28	Reporting Compilation Principles	137-138	No
G4-29	July 4, 2016		No
G4-30	Annual		No
G4-31	Feedback Form	154	No
G4-32	Introduction GRI Content Index. Specific Standard Disclosures External Assurance Statement	2 147-151 152-153	No
G4-33	Reporting Compilation Principles External Assurance Statement	137-138 152-153	No
CORPORATE GOVERNANCE			
G4-34	Interactions with Stakeholders Financial and Operational Activities Management and Supervision Bodies	98-104 109-117	No
G4-38	Financial and Operational Activities Management and Supervision Bodies	109-117	No
G4-39	The Chairman of the Board of Directors is not an Executive Director		No
G4-41	In accordance with article 82 of the Federal Law "On Joint Stock Companies", the members of the Board of Directors, the General Director, and the Company's shareholders shall disclose the information on any interest in conclusion of a transaction by the Company. To ensure the avoidance of conflicts of interests, the Company tends to approve all interested party transactions in advance by the Board of Directors or the General Meeting of Shareholders The Company quarterly discloses its list of affiliates on its official website and on the website of the Interfax information agency. In the annual report, the Company discloses a list of the interested party transactions made by the Company in the reporting year specifying the interested party, its essential conditions, and the regulatory body of the Company approving the transaction for each transaction		No
G4-45	Interactions with Stakeholders The Technical Committee of the Board of Directors considers reports on the fulfillment of the Company's Annual Work Program and Budget, as well as the report on work results in the field of health, safety, environmental protection and Integrated Management System The information on the Company's compliance with the recommendations of the Code of Corporate Governance is provided to the Technical Committee and the Board of Directors during the preliminary consideration of the Annual Report	98-104	No
G4-47	Interactions with Stakeholders The Technical Committee of the Board of Directors considers report on work results in the field of health, safety, environmental protection and Integrated Management System	98-104	No
G4-48	The Company's Sustainable Development Report as part of the Annual Report shall be pre-reviewed by the Technical Committee and the Board of Directors.		No
G4-51	Financial and Operational Activities Management and Supervision Bodies Report on Compliance with the Code of Corporate Conduct	111, 116 129-131	No
ETHICS AND FAIR PRACTICES			
G4-56	Ethics and Fair Practices	132-133	No
G4-57	Ethics and Fair Practices	132-133	No
G4-58	Ethics and Fair Practices	132-133	No



GRI CONTENT INDEX

ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
CATEGORY: ECONOMICS			
ECONOMIC PERFORMANCE ASPECT			
Aspect Boundaries The report covers financial results of the Company's activities			
DMA	Main Financial Indicators	51	
EC-1	Main Financial Indicators	51	No
	Financial Performance Report Indicators	52-53	
	Interactions with Stakeholders Report on the Distribution of Declared (Accrued) Dividends on the Company's Shares	98-104 121	
EC-3	Remuneration and Staff Social Support	91-92	No
EC-4	Main Financial Indicators	51	No
	Financial Performance Report Indicators Financial and Operational Activities Management and Supervision Bodies	52-59 109-117	
PROCUREMENT PRACTICES ASPECT			
Aspect Boundaries The Company's approach to suppliers and contractors selection has an impact on successful achievement of production objectives			
DMA	Interactions with Stakeholders	98-104	
EC-9	Interactions with Stakeholders	98-104	No
RESERVES ASPECT			
Aspect Boundaries The report provides information on status of raw materials base and stock movement at the Yuzhno-Russky subsoil plot where the Company has the right to perform hydrocarbon geological survey and production.			
DMA	Status of Raw Materials Base	21-23	
OG-1	Status of Raw Materials Base	21-23	No
CATEGORY: ECOLOGY			
ENERGY ASPECT			
Aspect Boundaries The Report covers information on energy consumption within the organization, implementation of the Company's energy saving programs, and results of environmental impacts			
DMA	Energy Consumption and Saving	77	
EN-3	Total non-renewable fuel consumption 717,620.03 GJ: - Natural gas (6-TP) - 18,527 thousand m ³ or 680,126.17 GJ - Gasoline (4-TER) - 284.85 tons or 12,439 GJ - Kerosene (4-TER) - 1.34 tons or 57.73 GJ - Diesel fuel (4-TER) - 580.17 tons or 24,997.03 GJ Total renewable fuel consumption: 0; Total electricity consumption: 35,907,217.84 kW·h or 129,265.89 GJ, incl.: - electricity consumption, own generation - 34,115,929.50 kW·h or 122,817.35 GJ; - electricity consumption, purchased electricity - 1,791,288.34 kW·h or 6,448.64 GJ. Total consumption of heating energy: 42,021.925 Gcal or 175,945.842 GJ, incl.: - heating energy consumption (own generation) - 35,686.503 Gcal or 149,419.39 GJ; - heating energy consumption (purchased) - 6,335.432 Gcal or 26,526.45 GJ. Total energy consumption for cooling - 0; Total steam consumption - 0; Total amount: - electricity sold: 576,730 kW·h or 2,076.23 GJ; - fuel/ energy sold for heating: 0; - fuel/ energy sold for cooling: 0; - steam sold: 0; Total energy consumption: 748,519.74 GJ 1 kilowatt hour = 3.6 · 10 ⁻³ GJ; Natural gas: 1 thousand m ³ = 36.71 GJ Natural gas: 1 m ³ · (k=1.154) = TFOE Gasoline: 1 ton · 1.49 = TFOE · (k = 29.31) = GJ Diesel fuel: 1 ton · 1.47 = TFOE · (k = 29.31) = GJ		Yes



ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
EN-5	Energy intensity: 1.358 thousand kW · h /million m ³ Natural Gas Production: 25,124.03 million m ³ Consumption of own generated electricity: 34,115.929 thousand kW · h The energy consumed within the organization, with the exception of purchased electricity was used for energy intensity ratio calculation		No
EN-6	Energy Consumption and Saving Total reduction of energy usage: 309.003 GJ The ratio uses electricity and natural gas saving Base year 2012 on the basis of the goals and objectives according to the Energy Management System 1 kilowatt · hour = 3.6 · 10 ⁻³ GJ (Natural gas) 1 thousand m ³ = 36.71 GJ Natural gas usage in monetary terms – 168.07 million rubles Electricity usage in monetary terms – 350.37 million rubles Heating energy consumption in monetary terms – 141.30 million rubles Diesel fuel consumption in monetary terms – 22.72 million rubles AI-92 gasoline 92 consumption in monetary terms – 2.3 million rubles AI-95 gasoline 92 consumption in monetary terms – 9.19 million rubles	77–79	No
WATER ASPECT			
Aspect Boundaries The report discloses information on the results of impact of the Company's operational activities on the condition of water objects near and within the field.			
DMA	Water Supply	74	
EN-8	Water Supply Surface water withdrawal: 0 m ³ ; Rainwater collected and stored by the organization: 0 m ³ ; Wastewater from another organization: 0 m ³ ; Municipal and other water supply systems: 7.82 thousand m ³ OJSC Severneftegazprom uses metering instruments to calculate the quantity of the water withdrawn	74–76	Yes, in terms of total water withdrawal by source
EN-9	Water Supply Impact assessment is based on the issued licenses SLKh 01821 VE and SLKh 01823 VE for the right to use subsurface mineral resources and reserves calculation	74–76	No
EN-10	Water Supply Total volume of water recycled and reused by the organization: 822,886 m ³ Percent of the total volume of reused water as a percentage of the total water withdrawal is 1,257% Total volume of water recycled and reused as a percentage of the total water withdrawal, reflected Standards, techniques and assumptions used – monitoring and measuring devices	74–76	No
EMISSIONS ASPECT			
Aspect Boundaries The report provides information on the results of impact of the Company's activities on air			
DMA	Pollutant Emissions	72	
EN-15	Pollutant Emissions CO ₂ emissions from biomass decomposition (solid waste landfill): 0.011 thousand tons No base year was chosen due to commissioning of new facilities, technical upgrades, change in scheduled shutdown procedures, change in greenhouse gas emission calculations in connection with introduction of PJSC Gazprom Company Standard 102-2011; Methodology: PJSC Gazprom Company Standard 102-2011 "Inventory of Greenhouse Gas Emissions"	72–73	No
EN-16	In accordance with Russian standards and methodologies, the Company neither collects necessary information nor reports on indirect greenhouse gas emissions		No
EN-17			No
EN-18	Pollutant Emissions Numerator: greenhouse gas emissions, tons Denominator: natural gas withdrawn, million m ³ The intensity ratio calculation uses the data on direct greenhouse gas emissions Gas taken into account: methane	72–73	No
EN-19	Pollutant Emissions	72–73	No
EN-20	No emissions of ozone-depleting substances		No
EN-21	Pollutant Emissions	72–73	Yes, in terms of pollutant emissions weight



ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
EFFLUENTS AND WASTE ASPECT			
Aspect Boundaries The report provides information on effluent discharge, waste recycling and recovery, including waste both within and outside the Organization.			
DMA	Waste Recycling	73	
EN-22	Water Supply No unplanned discharges Effluents were not reused The effluents volume data are calculated using the metering instruments. The effluents quality data is provided in accordance with the "Process Plan for Burying Industrial and Domestic Effluents at the Yuzhno-Russkoye Oil and Gas Field"	74–76	No
EN-23	Waste Recycling Total weight of hazardous and non-hazardous waste: 370.803 tons with breakdown by the following management methods: – Reuse (transfer to contractors for reuse): 100.964 tons (incl. 14.294 tons accumulated in 2015 r.), incl.: – Multiple use: 0 tons; – Composting: 0 tons; – For usage: 38.975 tons; – Aggregate weight flaring (transfer to contractors for sterilization): 2.769 tons; – Deep injection: 0 tons; – Disposal on ground, mud pit: 49.500 tons; – Other method of disposal (transferred to other organizations) – 9.720 tons. Disposed of by the Company itself: 106.278 tons; Storage at industrial site of the Company – 177.855 tons; The information was obtained on the basis of the standard data of the contractor on waste management for the organization	73	Yes
EN-24	No spills reported in 2016		No
EN-25	There was no cross-border transportation of waste in the Company.		No
EN-26	No water was discharged into surface water bodies. Thus, water body biodiversity was not affected by the Company		No
OG-5	Oilfield water recovery was by injection into a deep lost circulation horizon.		No
OG-6	Methane flaring and bleeding are connected with repairs and the gas production technology. Methane flared: 26,350.088 thousand m ³ Methane permanently flared: 43 thousand m ³ Methane bled off: 802 thousand m ³ Methane permanently bled off: 0 thousand m ³ The methane flared is reported taking into account production in the amount of 162 million barrels in oil equivalent		No
OG-7	Drill cuttings are recorded and disposed by the contractor		No
COMPLIANCE WITH REQUIREMENTS ASPECT			
EN-29	No material fines or non-financial sanctions imposed due to non-compliance with the environmental legislation and regulatory requirements were registered in 2016		No
GENERAL INFORMATION ASPECT			
EN-31	The total expenses on environmental protection amounted to 292,436 thousand rubles		No
CATEGORY: SOCIAL			
EMPLOYMENT ASPECT			
Aspect Boundaries Impact of the Employment Aspect manifests itself inside the organization. The subject discloses the Company's human resource and social assistance policy influencing the employees' well-being and the Company's operating efficiency			
DMA	HR and Social Policy	86	
LA-1	Staff Size and Composition 8.3 % was the personnel turnover in the Company in 2016, as calculated in accordance with GRI G-4 Guidelines	89	Yes, in terms of personnel turnover
LA-3	Staff Size and Composition	87–89	No
OCCUPATIONAL HEALTH AND SAFETY ASPECT			
Aspect Boundaries The report discloses the OHS management impact on the life and health of the Company's employees.			
DMA	Personnel and Operational Safety	80	



ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
LA-5	There are no joint management-employee health and safety committees in the Company. OJSC Severneftegazprom has a medical service consisting of 9 employees ensuring the provision of medical, health resort and preventive services		No
LA-6	Health Care No accidents were registered in the reporting period	81–82	Yes, in terms of number of accidents
LA-7	Occupational Safety There are no employees who are involved in occupational activities with a high injury incidence or high risk of specific diseases 18 work places with harmful working conditions were identified in the company		No
LA-8	There are no agreements with trade unions in the Company.		No
TRAINING AND EDUCATION ASPECT			
Aspect Boundaries The Company's approach to organize personnel training and education has impacts on professional skills of employees and the Company's operating efficiency and occurs inside the Company. The report discloses information on results of implementation of the Company's personnel skills upgrade and expertise evaluation programs			
DMA	Occupational Health and Safety HR and Social Policy	93	
LA-9	Personnel Development and Performance Management	93–94	No
LA-11	Personnel Development and Performance Management Formation of the Candidates Pool and Work with Young Specialists	95	No
DIVERSITY AND EQUAL OPPORTUNITY ASPECT			
G4-LA12	Staff Size and Composition	86–89	No
LABOR PRACTICE COMPLAINT MECHANISMS ASPECT			
G4-LA16	Staff Management	90	No
NON-DISCRIMINATION ASPECT			
G4-HR3	Staff Management	90	No
CHILD LABOR ASPECT			
G4-HR5	Staff Management		No
FORCED AND COMPULSORY LABOR ASPECT			
G4-HR6	Staff Management		No
INDIGENOUS RIGHTS ASPECT			
Aspect Boundaries Results of interaction with local communities manifest themselves outside the Company. Due to implementation of public relations programs, the Company is successfully managing its activities aimed at supporting economic development and maintaining the culture and customs of indigenous minorities.			
DMA	Interactions with Stakeholders	98	
HR-8	Interactions with Stakeholders	98–104	Yes
OG-9	Interactions with Stakeholders	98–104	No
HUMAN RIGHTS GRIEVANCE MECHANISMS ASPECT			
HR-12	Interactions with Stakeholders	104	No
LOCAL COMMUNITIES ASPECT			
SO-1	Interactions with Stakeholders	98–104	No
OG-10	Interactions with Stakeholders	98–104	No
ANTI-CORRUPTION ASPECT			
SO-4	Ethics and Fair Practices	132–133	No
SO-5	Ethics and Fair Practices	132–133	No
INVOLUNTARY RESETTLEMENT ASPECT			
OG-12	Interactions with Stakeholders	98–104	No



ITEM	COMMENT	PAGE	EXTERNAL CERTIFICATION
ASSETS INTEGRITY AND PROCESS SAFETY ASPECT			
Aspect Boundaries The operational safety has impacts on the health of employees, environment, and efficiency of operations. Impacts of the Assets Integrity and Process Safety Aspect are disclosed in the Report as manifesting themselves within the organization			
DMA	Personnel and Operational Safety	80	
OG-13	Personnel and Operational Safety No accidents or incidents at the Company's facilities were registered	80–85	No
MARKETING COMMUNICATIONS ASPECT			
PR-7	No inconsistencies with the regulatory requirements and voluntary codes on marketing communications, including advertising, product promotion, and sponsorship, were identified in 2015		No

APPENDIX 3

THE CALCULATION METHODS FOR THE COMPANY'S MATERIAL SUSTAINABILITY PERFORMANCE INDICATORS UNDERGONE INDEPENDENT ASSURANCE

INDICATOR	CALCULATION METHOD AND BOUNDARIES
Employee turnover, %	The employee turnover rate is calculated using two methods: 1) Method used by PJSC Gazprom: the ratio of the number of employees who left the Company voluntarily or without good cause to the average staff number in the reporting period (Staff Size and Composition Section); 2) Method used in the GRI Guidelines: the ratio of all employees who left the Company to the staff number by the end of the reporting period (Appendix 2, GRI Content Index). The indicator includes the employees of all subdivisions of the Company in accordance with the boundaries of the Report.
Number of accidents in 2016	Calculation of the number of accidents in 2016 included injuries of all degrees of severity that resulted in employee's loss of labor capacity for not less than one day. The indicator includes the employees of all subdivisions of the Company in accordance with the boundaries of the Report.
Amount of air emissions in 2016, tons	The amount of air emissions is calculated as a sum-total of emissions of nitrogen oxides, sulfur oxides, methane, carbon monoxide, volatile organic compounds and solids measured in tons. The calculation was performed for the Company's emission sources at the Yuzhno-Russkoye oil, gas and gas condensate field.
Total water withdrawal in 2016 by source, thou m ³	The total volume of water withdrawal is calculated as an aggregate volume of withdrawn ground, formation and purchased (municipal) water. The calculation includes water consumption by the Company's subdivisions in Urengoy settlement, Novy Urengoi and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Total weight of waste in 2016, tons	The total weight of waste is calculated as the cumulative weight of waste of all classes of hazard generated in the Company's subdivisions in Urengoy settlement, Novy Urengoi and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Energy consumption in 2016, GJ	The cumulative energy consumption includes consumption of non-renewable fuel (natural gas for energy generation, gasoline, diesel and kerosene), purchased energy with the deduction of energy sold to the external parties and purchased heat. The consumed energy of each type is converted to GJ using the conversion factors. The calculation includes energy consumption by the Company's subdivisions in Urengoy settlement, Novy Urengoi and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Percentage of tenders in the total number of procurements, %	The percentage of competitive procurements (tenders) in the total number of the Company's procurements is calculated as the ratio of the cost of contracts concluded with the winners of competitive bidding to the total cost of contracts concluded in the reporting period. The indicator includes procurements of all subdivisions of the Company in accordance with the boundaries of the Report.
Number of complaints about violations of rights of indigenous people	Number of complaints about violations involving rights of indigenous people is calculated based on entries in the Unified Journal of Received Complaints and Comments which consolidates all incoming entries from interested parties. The indicator includes complaints about violations involving rights of indigenous peoples of the North received by all the Company's subdivisions in accordance with the boundaries of the Report



APPENDIX 4 INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT ON SELECTED MATERIAL SUSTAINABILITY PERFORMANCE INDICATORS PUBLISHED IN OJSC SEVERNEFTEGAZPROM ANNUAL REPORT 2016

INTRODUCTION

The Independent Assurance Report is addressed to the Management of OJSC Severneftegazprom.

The subject of assurance is information on sustainable development in the Annual Report for 2016 of OJSC Severneftegazprom (hereinafter referred to as Report), namely the following selected eight material sustainability performance indicators published in the Report (hereinafter referred to as Selected Indicators):

- 1) Employee turnover;
- 2) Number of accidents;
- 3) Number of complaints about violations involving rights of indigenous people;
- 4) Energy consumption;
- 5) Total water withdrawal by source;
- 6) Amount of pollutant emissions;
- 7) Total weight of waste;
- 8) Percentage of competitive procedures from the total volume of procurements.

RESPONSIBILITIES

The management of OJSC Severneftegazprom bears full responsibility for the preparation and fair presentation of the Report. We are responsible for the results of independent assurance of the Selected Indicators only to OJSC Severneftegazprom within the engagement entered into with OJSC Severneftegazprom and do not assume any responsibility to any third party.

SCOPE, CRITERIA AND LEVEL OF ASSURANCE

The criterion of our engagement was compliance of the Selected Indicators to the requirements of the Sustainability Reporting Guidelines GRI G4.

The engagement was planned and performed in accordance with the International Standard on Assurance Engagement ISAE 3000 (reviewed) "Assurance engagements other than audits or reviews of historical financial information" (limited level of assurance).

The selective verification of information in the Report performed under aforementioned level of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the management of the entity and its employees, publicly available information and analytical methods of verification. In relation to the quantitative information contained in the Report the work performed cannot be considered sufficient for identification of all possible deficiencies and misstatements. However, the collected evidence is sufficient for expressing our conclusion in accordance with the above level of assurance.

METHODOLOGY OF ASSURANCE

In our engagement, we have performed the following procedures:

- Interviewing the management and employees of OJSC Severneftegazprom and obtaining documentary confirmation related to the Selected Indicators;
- Study of information available on the website of OJSC Severneftegazprom related to its activities in the context of sustainable development;
- Study of public statements of third parties concerning economic, environmental and social aspects of the OJSC Severneftegazprom activities, in order to check validity of the declarations made in the Report;
- Analysis of non-financial reports of companies working in the similar market segment for benchmarking purposes;
- Analysis of sustainability topics which are material for OJSC Severneftegazprom;
- Selective review of documents and data related to the Selected Indicators, including one on the efficiency of OJSC Severneftegazprom management systems of economic, environmental and social aspects of sustainable development;
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of information in the Report for compliance to the aforementioned criteria.

LIMITATIONS OF THE ENGAGEMENT

The engagement was performed only in relation to data for the year ended 31 December, 2016.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance of the Selected Indicators to the requirements of the Sustainability Reporting Guidelines GRI G4. In respect to the quantitative performance indicators the conformity assessment to external and internal reporting documents provided to us is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of OJSC Severneftegazprom to take any action relating to the future. The assurance on the statements which are based on expert opinion is not performed.

CONCLUSIONS

The following conclusions are based on the assurance work performed within the limitations of the engagement specified above.

As a result and within the scope of our work, we did not identify material non-compliance of the Selected Indicators disclosing information on sustainable development of OJSC Severneftegazprom to the requirements of the Sustainability Reporting Guidelines GRI G4.



STATEMENT OF COMPETENCE AND INDEPENDENCE

"NP Consult" LLC, an independent audit firm, professionally rendering assurance services, is a licensed provider of assurance services in accordance with AA1000 Assurance Standard. "NP Consult" LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". "NP Consult" LLC complies with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. "NP Consult" LLC applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. "NP Consult" LLC employs a system of quality control of audit services, including control of compliance to ethical norms.

"NP Consult" LLC states that the present assurance report is an independent auditor's conclusion on Selected Indicators. "NP Consult" LLC and its staff have no relations with OJSC Severneftegazprom that could result in the conflict of interest related to the independent assurance of the Selected Indicators.

General Director
"NP Consult" LLC



V. Y. Skobarev

Moscow, April 20, 2017



FEEDBACK FORM

DEAR READERS,

You have read the Annual Report of OJSC Severneftegazprom for 2016. Your opinion is very important to us, and we would appreciate it if you could help us improve the quality of the Company's reporting by answering the questions below.

1. Do you understand the nature of OJSC Severneftegazprom's sustainable development activities, after having read the Report?

- a. Yes
- b. No
- c. Not sure
- d. Please, write your comment: _____

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

- a. Interesting
- b. No particular impressions
- c. Not sure

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

- a. Positive
- b. Negative
- c. Neutral
- d. Please, write your comment: _____

4. How would you evaluate the Report in terms of information search convenience?

- a. Easy
- b. Normal
- c. Hard
- d. Please, write your comment: _____

5. Which section of the Report proved to be the most interesting for you?: _____

6. Which areas of OJSC Severneftegazprom's activities do you think need to be improved in order to increase the corporate social responsibility: _____

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

8. What are your general comments on OJSC Severneftegazprom's Annual Report for 2016: _____

9. Are you or your organization interested in discussions concerning the preparation of the Company's sustainable development report for 2017:

- a. Yes, our contact details: _____
- b. No

10. What organizations, in your opinion, should be invited to take part in the discussion on preparation of the sustainable development report for 2017: _____

11. What group of stakeholders do you belong to:

- a. Company's employee
- b. Investor
- c. Shareholder
- d. Customer
- e. Contractor
- f. Government official
- g. Representative of a non-governmental organization
- h. Public Media
- i. Local community member residing in the territory of the Company's operations
- j. Other: _____

12. Please, specify your contact details: _____

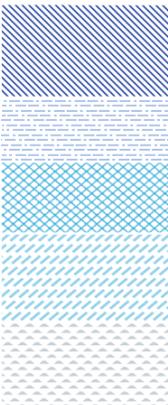
13. What contact method do you prefer: _____

Please, send this form to:

OJSC Severneftegazprom
Public Relations Department
Russian Federation, 629300,
Yamal-Nenets Autonomous Area,
Novy Urengoy, P.O. Box 1130

You can also email this questionnaire, as well as your opinion and questions regarding the Company's activities and reporting to: sngp@sngp.com

All submitted requests, opinions and questions will be considered during the preparation of the Company's next Report.





severneftegazprom

