

SUSTAINABLE DEVELOPMENT POLICY OF GAZPROM GROUP

1. Introduction

Sustainable development, which is focused on fostering the development of society and environmental protection and plays a key role in creating a competitive economy, is an invariable guiding principle for Gazprom (hereinafter also referred to as the “Company”), its subsidiaries and entities. The Gazprom Group’s activities across the entire added-value chain make a significant contribution to the well-being of the current and future generations.

2. Terms and definitions

Gazprom Group – PJSC Gazprom, its subsidiaries and entities.

Sustainable development – development that satisfies the needs of the present without compromising the ability of future generations to meet their own needs.¹

Sustainable development activities – activities aimed at establishing the company’s management system that maintains the right balance between long-term economic efficiency, environmental responsibility, and social performance.

Stakeholders – individuals and/or legal entities, groups of individuals/entities, government authorities, non-governmental organizations and/or mass media that can affect or be affected by the Gazprom Group’s activities, products manufactured, services rendered, and related actions.

Stakeholder engagement – actions taken to enable a dialogue between the company and one or more stakeholders in order to inform the company’s decision-making.²

3. General provisions

3.1. The Gazprom Group’s Sustainable Development Policy (hereinafter referred to as the “Policy”) is a fundamental document that defines the areas of the Gazprom Group’s sustainable development activities.

3.2. The purpose of the Policy is to express (make a public statement of) the Gazprom Group’s stance in the area of sustainable development, explain its attitude towards relevant international and Russian standards and practices, and formalize the unified principles and approaches of the Gazprom Group to sustainable development efforts.

3.3. The Policy’s objectives are to:

- formulate the mission, goals and obligations of the Gazprom Group in the area of sustainable development;
- set up a mechanism for monitoring and assessing sustainable development activities of the Gazprom Group;
- develop a common understanding of the Gazprom Group’s standpoint in the area of sustainable development among Stakeholders.

3.4. The following key documents governing sustainable development on the national and international levels are taken into account when formulating and implementing the Policy:

- the Universal Declaration of Human Rights adopted by the UN General Assembly on December 10, 1948;
- the International Bill of Human Rights;

¹ GOST R 54598.1-2015. National Standard of the Russian Federation. Management of Sustainable Development.

² GOST R ISO 26000-2012. National Standard of the Russian Federation. Guidance for Social Responsibility.

- the Declaration on Fundamental Principles and Rights at Work adopted by the International Labor Organization on June 18, 1998;
- the Guiding Principles on Business and Human Rights endorsed by the UN Human Rights Council in its resolution 17/4 dated June 16, 2011;
- the Principles of the United Nations Global Compact;
- the Resolution “Transforming our World: the 2030 Agenda for Sustainable Development” adopted by the UN General Assembly on September 25, 2015;
- the Paris Agreement adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change on December 12, 2015;
- the Global Reporting Initiative’s Sustainability Reporting Guidelines;
- the international AA1000 AccountAbility Principles and AA1000 Stakeholder Engagement Standard;
- international standard ISO 26000:2010 Guidance on social responsibility (GOST R ISO 26000-2012. National Standard of the Russian Federation. Guidance for Social Responsibility);
- Executive Order of the President of the Russian Federation No. 204 “On National Goals and Strategic Objectives of the Russian Federation through to 2024” dated May 7, 2018;
- Executive Order of the President of the Russian Federation No. 474 “On National Development Goals of the Russian Federation through to 2030” dated July 21, 2020;
- the Public Non-Financial Reporting Development Concept and the Concept Implementation Plan approved by Russian Government Decree No. 876-r dated May 5, 2017;
- the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014;
- the Social Charter of the Russian Business;
- the Energy Security Doctrine of the Russian Federation approved by Executive Order of the President of the Russian Federation No. 216 dated May 13, 2019;
- the Energy Strategy of the Russian Federation until 2035 approved by Russian Government Decree No. 1523-r dated June 9, 2020;
- the Foundations of the Government Policy in the Sphere of Environmental Development of the Russian Federation to 2030 approved by the President of the Russian Federation on April 30, 2012;
- GOST R 54598.1-2015. National Standard of the Russian Federation. Management of Sustainable Development.

3.5. Sustainability management is integrated into the corporate governance system of Gazprom. The implementation of the Sustainable Development Policy is overseen by the Chairman of the Management Committee at Gazprom and by the respective Directors General at Gazprom’s subsidiaries and entities.

3.6. The Policy (including the achievement of sustainable development goals) is implemented by Gazprom’s structural units, subsidiaries and entities in accordance with their competence.

The sustainable development activities of Gazprom’s structural units, subsidiaries and entities are coordinated by the structural unit of Gazprom in charge of the information policy of Gazprom.

3.7. The Policy is binding for the Gazprom Group and is advisory for the controlled entities that are not subsidiaries and entities of Gazprom, as well as for partners and counterparties of the Company.

3.8. Administrative, regulatory and other internal documents of the Gazprom Group shall not be in conflict with the Policy.

4. Sustainable development mission and goals of Gazprom Group

4.1. The sustainable development mission of the Gazprom Group is to make a positive contribution to the social and economic development of Russia and other regions of the Group’s operation in line with environmental and social responsibility standards, so as to preserve and enhance the opportunities for future generations while meeting the needs of today.

4.2. The sustainable development goals of the Gazprom Group underpin its operations and are integrated into its strategic, medium-term and short-term planning systems.

The Gazprom Group's sustainable development goals correlate with the UN Sustainable Development Goals until 2030 (hereinafter referred to as the "UN SDGs") adopted by the UN General Assembly's resolution in 2015, as well as the principles of the Paris Agreement dated December 12, 2015.

The Gazprom Group's sustainability goals include:

4.2.1. In terms of unlocking economic potential:

- increasing the Gazprom Group's shareholder value;³
- enhancing the efficiency of all lines of business and activities of the Gazprom Group;
- expanding innovative development across the Gazprom Group through the introduction of innovative technologies and use of state-of-the art technological and organizational solutions;
- supporting domestic technological developments, research and innovations;
- increasing labor productivity of the Gazprom Group's employees;
- fostering process automation and digitalization across all activities of the Gazprom Group.

4.2.2. In terms of shaping management approaches:

- taking Stakeholders' rights and interests into account;
- streamlining the governance system of the Gazprom Group;
- preventing corruption at the Gazprom Group;
- identifying and mitigating the effects of economic, environmental and social risks resulting from the Gazprom Group's operations;
- presenting reliable and unbiased information about the Gazprom Group's sustainable development activities to Stakeholders in the form and to the extent prescribed by the applicable Russian laws and internal documents of the Gazprom Group;
- integrating new sustainability metrics into the performance indicators set for the Gazprom Group and its employees;
- attaining the Gazprom Group's customer satisfaction target in Russia;
- developing national and global partnerships with Stakeholders to meet sustainable development targets of the Company and the Gazprom Group.

4.2.3. In terms of environmental protection:

4.2.3.1. Reduction of the environmental footprint:

- reducing air pollutant emissions from core production activities;
- cutting down water consumption and pollutant discharges into water bodies, including seas;
- soil preservation and restoration;
- preserving biodiversity and minimizing activities in the regions at risk of biodiversity loss;
- reducing greenhouse gas emissions, including methane emissions;
- systematic assessment and mitigation of climate change risks;
- scaling down the generation of industrial and consumer waste through waste disposal and decontamination;
- minimizing the risks of adverse environmental impacts, in particular, on highly vulnerable natural environments, including the Arctic zone of the Russian Federation;
- taking measures to prevent adverse environmental impacts at all lifecycle stages of the Company's production facilities, including measures to adapt to climate change.

4.2.3.2. Resource and energy saving, and energy efficiency:

- continuously reducing unit costs through rational use and saving of energy resources in production activities;
- consistently improving energy efficiency at the Gazprom Group through robust process management and the use of innovative technologies and equipment.

4.2.4. In terms of respect of human rights:

4.2.4.1. Rights of employees to labor and education:

³ Shareholder value is the value created by the company for its shareholders by way of dividend payouts and capital gains. Shareholder value primarily depends on the management's ability to improve financial results for a long period of time. The two main drivers of shareholder value are the efficient use of capital and obtainment of a high return on its investment.

- supporting and advancing high-quality vocational education of employees;
- motivating each employee in a comprehensive manner to achieve the Gazprom Group’s goals;
- providing employees with competitive salaries and benefits;
- protecting labor rights, including freedom of association and collective bargaining;
- guaranteeing equality of rights and protection from any and all forms of discrimination based on gender, nationality, age and other grounds;
- preventing the use of child and forced labor;
- creating and developing an unbiased and efficient framework to assess personal contribution of each employee of the Gazprom Group;
- ensuring that employees’ professional expertise meets the Gazprom Group’s requirements.

4.2.4.2. Occupational health and safety rights of employees, partners and counterparties:

- creating a safe working environment and protecting the lives and health of the employees;
- ensuring reliable operation of hazardous facilities;
- ensuring compliance with fire safety requirements at the Gazprom Group’s facilities;
- reducing the rate of mortality due to occupational or other diseases;
- improving the efficiency of control over the compliance with occupational, industrial, fire and road safety requirements to reduce the number of workplace accidents (including those affecting Stakeholders) and traffic incidents;
- arranging for medical infrastructure and the best possible insurance coverage to protect the health of the Gazprom Group’s employees.

4.2.4.3. Rights of indigenous minorities in the Gazprom Group’s regions of operations:

- supporting indigenous minorities in promoting their interests and rights to their traditional lifestyle (work and cultural activities), and preserving their original living environment.

4.2.5. In terms of contribution to the social and economic development of Russian regions:

- expanding gas supplies and gas infrastructure across Russian regions, facilitating regional programs promoting the use of gas as a vehicle fuel;
- participating in solving social issues in the constituent entities of the Russian Federation, and building social infrastructure facilities;
- arranging responsible social investment and charitable activities;
- launching new products (natural gas vehicle fuel, methane-hydrogen mixtures, helium), developing energy distribution (sales via the Electronic Trading Platform and mercantile exchanges) and supply (off-grid gas supply) capabilities;
- promoting the principles of equality, fairness and non-discrimination across the Gazprom Group, and ensuring the absence of unreasonable restrictions on competition among bidders in the process of procurement of goods, works and services.

5. Sustainable development obligations of Gazprom Group

The Gazprom Group assumes the following obligations to achieve the sustainable development goals:

- to take into account the global priorities of sustainable development;
- to follow the precautionary principle in environmental matters, and systematically assess environmental risks;
- to carry out its activities in line with the following principles of corporate social responsibility formulated in the international standard ISO 26000:2010 Guidance on social responsibility (GOST R ISO 26000-2012. National Standard of the Russian Federation. Guidance for Social Responsibility): accountability, transparency, ethical behavior, observance of Stakeholders’ interests, respect for the primacy of law and accepted norms of conduct, and respect for human rights;
- to take into account the specific nature of the industry and regions of operation;

- to respect human rights without fail, including labor rights, the right to a favorable environment, the right to occupational health, the right to traditional lifestyle and the original living environment, and the right to education;
- to prevent any and all forms of discrimination and forced labor and to ensure the possibility of filing relevant complaints and presence of relevant review and response mechanisms with a view to achieve legal rehabilitation;
- to follow internationally accepted principles (enshrined in international standards AA1000 (AccountAbility Principles, Stakeholder Engagement Standard)) in the Stakeholder engagement process: inclusivity (taking into account different points of view), materiality (identifying relevant and significant matters affecting Stakeholders), impact (measuring and assessing the impact of the Gazprom Group's activities on Stakeholders) and responsiveness (planning day-to-day operations of the Gazprom Group with due regard for material topics and corresponding impacts);
- to update the Gazprom Group's internal documents with a view to take account of the best sustainable development practices;
- to prepare sustainability reports for Stakeholders, and ensure the timeliness, accuracy, completeness and clarity of information submitted to Stakeholders with regard to the Gazprom Group's performance of its sustainable development obligations;
- to take a systemic approach to the management of sustainable development projects;
- to develop effective partnerships and exchange of experience with state and municipal authorities, non-governmental organizations, and business partners in the area of sustainable development;
- to work as far as possible towards the development of responsible business practices throughout the entire added-value chain;
- to assess the degree of Russian customers' satisfaction with the Gazprom Group's activities;
- to facilitate Stakeholders' dialogue to seek joint solutions on achieving the UN SDGs;
- to introduce advanced innovative (technological and organizational) solutions across activities at all levels;
- to promote scientific research.

6. Gazprom's documents regulating sustainable development

Gazprom's sustainable development activities and its approaches to the performance of the sustainable development obligations assumed by the Company are governed by the Sustainable Development Policy. Individual sustainable development activities of Gazprom are reflected in other internal documents.

6.1. In terms of unlocking economic potential:

6.1.1. The Long-Term Development Program of Gazprom features a comprehensive and integrated development plan for the Gazprom Group, aimed at achieving strategic goals and containing a list of priority projects and strategic targets by planning years.

6.1.2. The Innovative Development Program of Gazprom reflects the Gazprom Group's commitment to enhanced innovative development through the implementation of advanced technologies and the use of state-of-the-art technological and organizational solutions.

6.2. In terms of shaping management approaches:

6.2.1. The Corporate Governance Code, Anti-Corruption Policy, Code of Corporate Ethics, Risk Management and Internal Control Policy, Quality Management Policy, and Environmental Policy of Gazprom reflect the Company's commitment to the strict observance of Russian and international law while ensuring effective, efficient and stable performance.

6.2.2. The Regulation on the Hotline for fighting fraud, corruption and embezzlement at the Gazprom Group reflects the principles of creating an essential element of the multi-level system to combat corruption, corporate fraud and embezzlement. The Gazprom Group enhances the measures aimed at preventing corruption, corporate fraud and embezzlement at the Gazprom Group, and provides transparency of its activities.

6.2.3. The Regulation on the procurement of goods, works, and services by Gazprom and the Gazprom Group companies establishes uniform rules and procedures for the procurement of goods, works and services that reflect, among other things, the commitment of the Gazprom Group's management and employees to the ethical standards of lawful, transparent and honest business practices. The Gazprom Group ensures transparency of relations with counterparties, adheres to the principles of equality, fairness, non-discrimination and the absence of unreasonable restrictions on competition among bidders in the process of procurement of goods, works and services.

6.3. In terms of environmental protection:

6.3.1. The Company's Environmental Policy reflects the Gazprom Group's commitment to the sustainable development principles and preservation of a favorable environment for future generations. The Gazprom Group undertakes to prevent or reduce its adverse environmental impacts, take every possible step to preserve climate and biodiversity and to mitigate possible harm inflicted upon the environment, involve employees in activities aimed at streamlining the environmental management system and reducing environmental risks, and make available the information about the Gazprom Group's environmental protection activities.

6.3.2. The Energy Efficiency and Energy Saving Policy and the Energy Saving and Energy Efficiency Program of Gazprom stipulate the paramount importance of the Gazprom Group's efforts aimed at improving energy efficiency and rational use of energy resources.

6.4. In terms of respect for human rights:

6.4.1. The HR Management Policy of Gazprom, its subsidiaries and entities, the Comprehensive Program for Improvement of HR Management at Gazprom, its subsidiaries and entities, the General Collective Agreement of Gazprom and its subsidiaries, and the Code of Corporate Ethics of Gazprom fully set out the role and significance of the Gazprom Group's personnel as a strategic resource, as well as the key approaches to protecting the labor rights of employees, their comprehensive social support and creating conditions for their uninterrupted professional and personal growth. The above documents guarantee employees' protection against any form of discrimination in accordance with the current legislation of the Russian Federation and international laws. Continuous training and development of personnel are enshrined as an imperative designed to ensure that the professional level of employees meets the requirements of the Gazprom Group, and that the personnel is ready to tackle production and management tasks.

6.4.2. The Occupational, Industrial, Fire and Road Safety Policy and the Process Safety Management System Development Strategy of Gazprom prioritize the protection of life and health of the Gazprom Group's employees. These documents seek to achieve permanent improvement of the personnel's labor conditions at the Gazprom Group, reduction of occupational injury and disease rates, and the number of accidents and fires.

6.4.3. The Regional Policy Concept, the Code of Corporate Ethics, and the Environmental Policy of Gazprom set out the need to observe the principle of protecting the rights of indigenous minorities and local communities in the regions of operation. The Gazprom Group respects the interests of indigenous minorities and their right to traditional lifestyle and native habitat, and maintains partnerships and an ongoing dialogue with them. The Gazprom Group identifies potential ethnological impacts at the stage of planning construction works in the areas populated by indigenous minorities, and develops mitigation steps.

6.5. In terms of facilitating social and economic development of Russian regions:

6.5.1. The Company's Regional Policy Concept enshrines the Gazprom Group's commitment to active participation in the development of Russia's constituent entities, as well as to stakeholder engagement in the regions of its operation. The priority activities of the Gazprom Group include gas infrastructure expansion in and gas supply to Russian regions, improved utilization of gas in the regions, support for regional programs focused on the use of natural gas as a vehicle fuel, and creation of a social infrastructure network.

6.5.2. The Regulation on Sponsorship and Charitable Activities of Gazprom sets out the main goals, objectives, principles and directions for sponsorship and charitable activities. The Gazprom Group's tasks in these areas include assistance in the implementation of the state social policy for sustainable social and economic development of Russian regions, and participation in tackling a number of societal challenges.

7. Gazprom Group's efforts to meet its sustainable development obligations

The key mechanisms for implementing the Policy are as follows:

- performing routine studies of Stakeholders' expectations (questionnaires, expert and public discussions, hearings, etc.), sociological and marketing surveys, and assessment of customer satisfaction level by Gazprom's structural units, subsidiaries and entities in accordance with their competence;
- processing requests via feedback channels (hotlines);
- posting information on the Internet and organizing events (forums, conferences, workshops, working meetings, etc.) with Stakeholders;
- monitoring and assessing the impacts of ongoing projects on the Gazprom Group and Stakeholders, as well as on the environment, society and economy at large;
- participating in international and industry-specific sustainable development initiatives;
- preparing the Gazprom Group's Sustainability Report according to the established corporate procedures and in line with internationally accepted standards and recommendations, such as GRI (Global Reporting Initiative) Standards and TCFD (Task Force on Climate-Related Financial Disclosures) recommendations;
- arranging sustainable development training for the Gazprom Group's personnel;
- maintaining ongoing sustainable development activities by way of drafting and updating the Policy Action Plan (to be approved by the Chairman of the Gazprom Management Committee) by structural units of Gazprom in accordance with their competence;
- enhancing the Gazprom Group's internal documents related to sustainable development, including updating the existing and developing new documents;
- constantly improving the Gazprom Group's performance taking into account the world's best practices in the area of sustainable development.

8. Assessment of Gazprom Group's sustainable development progress

The Gazprom Group's sustainable development progress is assessed against a set of key performance indicators (KPIs) that are used when planning Gazprom's activities or assessing the performance of the executive personnel, subsidiaries and entities of Gazprom.

8.1. In terms of unlocking economic potential:

- economic profit growth;
- return on capital employed;
- integrated KPI for innovation.

8.2. In terms of improving the corporate governance system:

- return on shareholders' investments;
- customer satisfaction index in Russia (gas business, power generation business, NGV sales business).

8.3. In terms of environmental protection:

- reduction in unit greenhouse gas emissions (in CO₂ equivalent), including methane;
- reduction in unit consumption of fuel and energy for internal process needs and transportation losses.

8.4. In terms of respect for human rights:

- average hours spent by employees for all types of training per year;
- share of employees who participated in professional development (for blue-collar staff), skills upgrading and retraining programs.

8.5. In terms of industrial safety:

- reduction in workplace accidents rate;
- reduction in workplace incidents rate.

The fulfillment of the Policy's goals and obligations may require the introduction of performance indicators to assess the Gazprom Group's sustainable development progress.

In this context, the Gazprom Group is constantly improving the KPI system, including the expansion of the list of sustainable development indicators.