

6.1. SUSTAINABLE DEVELOPMENT PRINCIPLES OF TRANSNEFT GROUP

Transneft Group seeks to increase reliability, industrial and environmental safety of its operations, reduce negative environmental impact and ensure social support in the regions of the Group's operations.

Transneft is guided in its activities by the formulations, principles and goals agreed by the international community within the framework of the United Nations. In particular, Transneft Group shares the basic principles of sustainable development stipulated in the Declaration on Environment and Development, adopted in Rio de Janeiro in June 1992 at the UN Conference on Environment and Development, and also contributes to the achievement of the UN Goals in the field of sustainable development, adopted by the resolution of the UN General Assembly on 25 September 2015.

Transneft Group is gradually introducing the principles of sustainable development and social responsibility into its business strategy. Compliance with these principles is considered by the Group as one of the key factors for long-term sustainability.



[For more information on standards and methods of disclosing sustainable development indicators, please see Transneft's 2020 Sustainable Development Report](#)

Compliance of the Company's Goals with the United Nations Sustainable Development Goals until 2030

The development strategy of Transneft covers all areas of the Company's activities, including economic, environmental and social development. The Transneft Sustainable Development Report for 2020 shows the

correspondence between the key lines of the Group's development and the United Nations Sustainable Development Goals, as well as presents specific indicators to achieve these Goals.

Key Events of the Year in Sustainable Development

► In the reporting year, Transneft became one of the winners at the MediaTEK-2020 contest for the federal and regional media, press services of the FES companies and regional administrations held by the Russian Energy Ministry. The Company won the first prize in the Social and Environmental Initiative nomination for holding a mass-scale charity volunteer marathon called Helping with Good Deeds.

► Based on the results of the work in 2020, specialised rating agencies for sustainable development (ESG agencies – Sustainalytics, ISS and SAM) raised the ratings of Transneft.

► In 2020, Transneft was awarded the main prize of the competition for the best socially oriented company, which is held by the Ministry of Energy of Russia.

► The company was also included in the 18th annual Forbes Global 2000 Ranking of The World's Largest Public Companies 2020 (forbes.com).

► In recognition of the achievements in applying best sustainable development practices that meet international standards, Transneft's preferred shares have been included in the FTSE4Good index since 2019, calculated by the FTSE agency and serves as a guideline for investment portfolios by ESG investors. Based on the results of a review in 2020, the preferred shares were kept within this index.

Corporate Culture

The Company has the Code of Ethics and Conduct for Employees of Transneft and Transneft Subsidiaries (Code of Ethics and Conduct), which defines ethical standards and principles of relations and behaviour of employees regardless of their position.

The Code of Ethics and Conduct defines the basic ethical values and principles:

- ensuring strict compliance with Russian laws, with due account of the laws of the countries where Transneft and its subsidiaries operate, whether individually or in cooperation with other entities;

- observing the unconditional priority of the state interests of the Russian Federation, as well as a respectful attitude to the interests of foreign states' entities in all business aspects;
- ensuring financial transparency of the business;
- building relations with government authorities, legal entities and individuals pursuant to the principles of openness and fair practice;
- zero tolerance towards corruption of any form or manifestation;
- strong social focus.

In accordance with the Regulations on Internal Audit of Transneft and the general directions of the internal audit of Transneft for 2020, approved by the decision of the Board of Directors of Transneft No. 21 dated 23 December 2019, the Department of Internal Audit and Analysis of Core Business Activities conducted an audit verification of compliance with ethical principles and corporate values of Transneft, Transneft subsidiaries for the period 01.01.2019–30.09.2020. Based on the results, recommendations were issued on updating the Code of Ethics and Conduct.

Interaction with Stakeholders

The Transneft Group aims to increase the openness and transparency of information on its activities, to build a mutually beneficial dialogue with a range of stakeholders and considers constructive cooperation to be the most important element of

interaction. Such interaction is carried out at all levels of the Company management. For effective communication with the society, shareholders, investors and other stakeholders, the Group has developed and implemented an information policy.

Stakeholders of Transneft Group

Stakeholder group	Forms of engagement	Stakeholder value
Investment community (shareholders, investors, analysts, rating agencies)	<ul style="list-style-type: none">• Publishing reports on the Company's website and on the Interfax: Centre of Corporate Information Disclosure website.• Holding General Meetings of Shareholders.• Holding meetings of the Board of Directors and meetings of the Committees under the Board of Directors.• Communicating with minority shareholders concerning the execution of their rights.• Placing reference information and presentations on the Company's website.• Meetings and conference calls with analysts and investors.• Providing answers from the Company's representatives to questions from analysts and investors.• Publishing the Analyst Handbook.• Providing information to rating agencies.• Providing information to specialised rating agencies for sustainable development.	Revenue, RUB bn – 962.4 Net profit, RUB bn – 132.7 Dividends, RUB bn – 84.2 In 2020, the investment bank Sberbank-CIB, SOVA Capital raised the recommendations on preferred shares of Transneft, Raiffeisenbank and Renaissance-Capital raised target prices. As regards the results of work in the field of sustainable development in 2020, specialised rating agencies (Sustainalytics, ISS and SAM) raised the ratings of Transneft.

Table continuation

Stakeholder group	Forms of engagement	Stakeholder value
Loan providers (lenders, bond holders)	<ul style="list-style-type: none"> • Holding meetings and negotiations with lenders and rating agencies. • Disclosing information about the debt structure and policy in the Company's financial statements and annual reports • Placing information on bonds (issue prospectuses, coupon rates, yield curve, payment schedule) on the Company's website 	<p>Equity capital, RUB bn – 2,222.7 Loan capital (loans and borrowings), RUB bn – 589.5 In 2020, the world's leading rating agencies, including Moody's, S&P, and Expert RA, confirmed the ratings of Transneft:</p> <ul style="list-style-type: none"> • rating agency Moody's affirmed the Company's Baa2 credit rating at with a stable outlook; • S&P Global Ratings affirmed the Company's credit ratings at BBB- (in foreign currency) and at BBB (in local currency) with a stable outlook; • The Expert RA rating agency affirmed the credit rating of Transneft at the RuAAA level with a stable outlook; • The NKR rating agency assigned a credit rating to Transneft at the level of AAA.ru with a stable outlook.
Consumers (integrated oil companies, stock exchange participants trading in petroleum products, as well as companies storing petroleum products at loading depots)	<ul style="list-style-type: none"> • Participation of the Company's representatives in meetings of the Transneft Consumer Council for Operational Issues • Placing information on contracts signed on the Company's website • Placing tariff information on the Company's website • Feedback system 	Oil turnover – 1,132.2 bn tkm Petroleum products turnover – 50.9 bn tkm The volume of oil transportation via the Transneft system – 442.2 million tonnes Volume of petroleum products transported via the Transneft system – 37.9 million tonnes
Transneft Group's employees and trade unions	<ul style="list-style-type: none"> • Collective bargaining agreements • Employee incentive system • Professional training and staff development • Mandatory health checkups • Sports and cultural events • Social benefits for employees: voluntary health insurance, accident insurance, recreation programmes for employees and their family members, provision of non-governmental pension schemes • Prevention of the spread of coronavirus infection COVID-19 among staff, voluntary vaccination of employees. 	Salaries and other payments and benefits for employees, RUB bn – 189.6 Average headcount – 123.3 thousand employees Average salary in 2020, RUB thou. – 109.5 In 2020, the total amount of the Company's expenses on measures to counter the spread of COVID-19 is RUB 2.171 bn.
Professional associations	<ul style="list-style-type: none"> • Holding regular meetings • Disclosing information on the Company's website 	The Company participated in two IAOT meetings in 2020. The Company's website was updated, and the list of voluntarily disclosed information was expanded significantly.
Government authorities (the Government of the Russian Federation, industry regulatory bodies and organisations, ministries and agencies, regional executive authorities)	<ul style="list-style-type: none"> • Participation in the sections of the Expert Council of the State Duma Committee on Energy. • Interaction within the scope of applicable rules and regulations. • Registration and placement of information in the SIS FES. 	<p>Based on the results of interaction between Transneft and the Ministry of Energy of the Russian Federation, the Energy Strategy of the Russian Federation for the period up to 2035 was agreed and approved by the Directive of the Russian Government No. dated 09 June 2020 No. 1523-r. During 2020, Transneft also took part in the development of the Plan for the Implementation of the Energy Strategy of the Russian Federation for the period up to 2035, as well as the General Scheme for the Development of the Oil Industry for the Period up to 2035.</p> <p>Transneft took part:</p> <ul style="list-style-type: none"> • in a meeting of the working group of the Expert Council of the State Duma Committee on Energy. The meeting discussed the issues of responsibility of the subjects of the fuel and energy sector (FES) for failure to ensure the safety of the fuel and energy sector (amendments to Article 20.30 of the Administrative Code of the Russian Federation); • in a meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on policy management in the field of ensuring the safety of fuel and energy facilities; • in the meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on ensuring the safety of fuel and energy facilities in the North Caucasus Federal District, which was devoted to the prevention of offenses in the fuel and energy sector in the territory of the Republic of Dagestan. <p>In accordance with the decisions of the meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on improving measures in the field of ensuring the safety of fuel and energy sector on 6 February 2020, the Company provided the Ministry of Energy of Russia with information on interaction with the Federal National Guard Service in ensuring the safety of fuel and energy facilities.</p>
Government supervision and oversight bodies	<ul style="list-style-type: none"> • Regular inspections. • Regular meetings and joint work. 	280 facilities of Transneft subsidiaries were inspected to ensure their safety and anti-terror security. The Agreement on Cooperation between Transneft and the Federal Environmental, Industrial and Nuclear Supervision Service of Russia was updated.

Stakeholder group	Forms of engagement	Stakeholder value
Local governance bodies	<ul style="list-style-type: none"> • Cooperation agreements. • Social and charitable programmes. • Public hearings to assess the environmental impact of new projects. 	Cooperation agreements were proceeded and concluded with eight constituent entities of the Russian Federation. More than 1,000 charitable projects were funded.
Population in the regions of operation (including indigenous minorities, as well as civil society organisations)	<ul style="list-style-type: none"> • Social and charitable programmes. • Public hearings. • Mass media publications. 	Number of jobs created – over 750. Investments in local communities – RUB 8.6 bn
Suppliers and contractors	<ul style="list-style-type: none"> • Commission for Dealing with Suppliers and Contractors • Steering Committee. • Pursuing the Company's policy in quality control enhancement, development and adoption of standards and mechanisms for work performance and control. • Feedback system. • Placing information on procurement and other matters for suppliers and contractors on the Company's website. • Placing information about SME support on the Company's website. 	In 2020, Transneft arranged 3,146 consolidated purchases Competitive procurements' share – 91% In 2018–2020, working meetings were held with representatives of 10 constituent entities of the Russian Federation and representatives of more than 200 organisations.
Business communities	<ul style="list-style-type: none"> • Public events (forums, conferences, etc.) 	Transneft took part in the meetings of the Russian Union of Industrialists and Entrepreneurs, the Russian-American Dialogue Fort Ross conference.
Social and charity organisations	<ul style="list-style-type: none"> • Interaction in social projects. • Cooperation agreements. 	Spending on charity – RUB 8.01 bn More than 1,000 charitable projects were funded.
Public environmental organisations	<ul style="list-style-type: none"> • Certification of all divisions of the Group in accordance with the Environmental Management System. • Holding environmental audits and publishing environmental reports. • Public hearings to assess the environmental impact of new projects. 	Current expenditure on environmental protection – 2.014 RUB bn Investment in environmental protection – 1,089.11 RUB million.
Educational institutions (universities etc.)	<ul style="list-style-type: none"> • Personnel training, retraining and refresher courses. 	There is ongoing cooperation with universities in terms of advanced staff training according to jointly developed programmes.
Research community (research institutes, hi-tech companies, startups etc.)	<ul style="list-style-type: none"> • Engaging with scientific organisations and placing requests for R&D. • Publishing the Profile of Transneft's Innovation Development Programme for 2017–2021 on the corporate website. • Publishing an innovation proposal submittal form on the website of Transneft R&D. 	In 2020, in terms of R&D, Transneft cooperated with more than 50 research institutes, universities, scientific and industrial organisations.
Mass Media	<ul style="list-style-type: none"> • Holding events for the media (briefings, press conferences etc.) • Ensuring quick distribution of news. • Handling mass media requests. 	31 press releases have been published.



For more detail about stakeholder engagement, see the Transneft Sustainable Development Report for 2020