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ESG investing trend: gaining momentum and influencing the formation of Gazprom's strategy

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ESG Trend & Sustainability at Gazprom

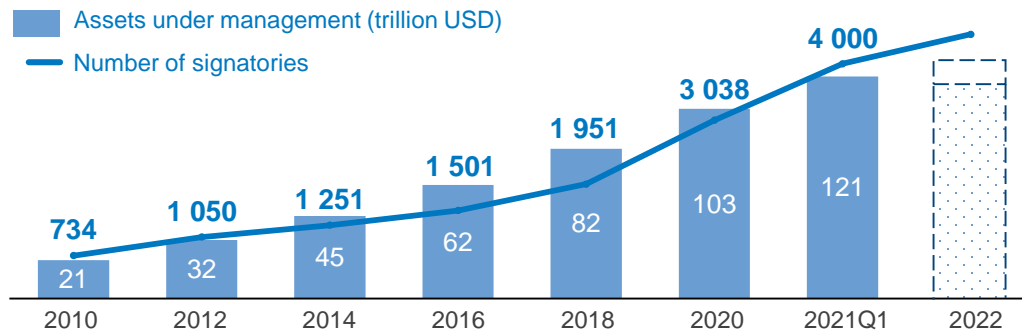
ESG

INCREASING VALUE FOR INVESTORS



GROWING IMPORTANCE OF ESG FOR INVESTORS

PRI Signatories*



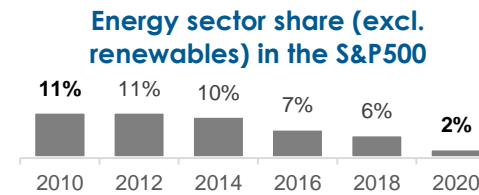
8 out of 10 biggest shareholders** of Gazprom are PRI Signatories*



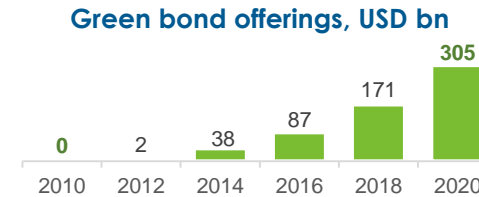
5 out of 10 foreign shareholders of Gazprom are PRI Signatories



Energy sector companies are getting less represented in the key market indices***



Climate-related placements double in value terms every 2 years****



KEY CONCERNS OF BANKS AND INVESTORS

- ✓ More ambitious carbon reduction targets by 2030
- ✓ ESG targets are included in management's remuneration
- ✓ Establishing quantitative targets towards "Net Zero by 2050" including Scope 3 emissions
- ✓ More independent governance
- ✓ Cooperation with the SBTi and submission of disclosures to the TPI
- ✓ Adoption of internationally recognized safety reporting (IOGP/API)

*Principles for Responsible Investment data as of Q12021.

** Among Gazprom's 100 largest shareholders as of December 2020

***The iShares Global Clean Energy ETF, made up of 30 publicly-traded renewable energy companies, has almost quadrupled in value over the last five years. The iShares Global Energy ETF, with 59 companies focused on oil and gas, fell by 17 percent during the same period. Source: [Institute for energy economics and Financial analysis](https://www.instituteforenergyeconomics.com/analysis)

**** Source: <https://www.climatebonds.net/resources/reports/sustainable-debt-global-state-market-2020>

GAZPROM

KEEPING UP WITH THE NEW TREND



SHAREHOLDER ENGAGEMENT

Gazprom:

- Responded to 2x number of **investor climate-related requests** in 2020
- Carried out an **ESG perception study** in 2020 and presented the findings in the Sustainability and the Environmental report for 2020
- Established a regular **dialogue with members of the Climate Action 100+ initiative**
- Held a **round table on hydrogen** and a **discussion** with investors **on the results of the first stage of the development of low-carbon scenarios** in 2021

INFORMATION DISCLOSURE

Gazprom:

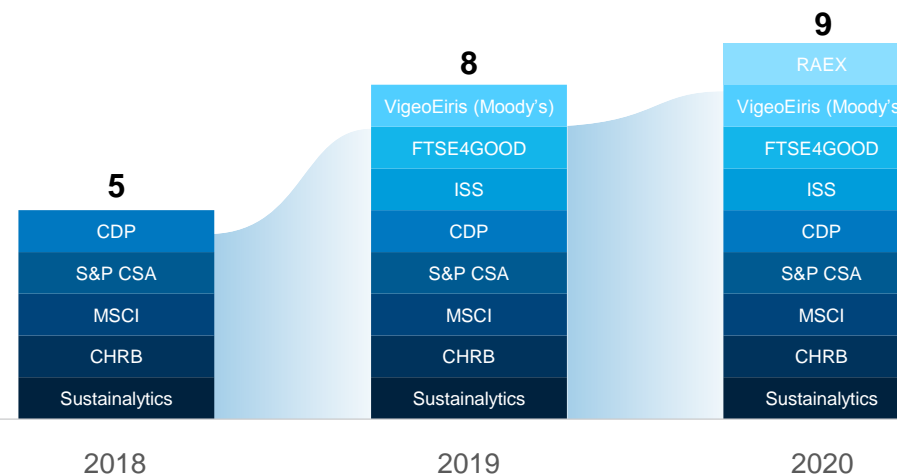
- Started to publish the **2020 Sustainability Report** prior to AGM'21
- Started to develop an **ESG Roadmap** in 2021
- Voluntarily implements the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**
- Reports **externally verified** information (KPMG, FBK)
- Discloses **Scope 1, 2, 3 GHG emissions**

RATINGS AND INDICES

As a result of Gazprom's actions:

- The **number of ESG ratings** increased to 9 in 2020 from 5 in 2018
- **Positions in the key ESG ratings** were improved in 2020 vs 2018
- Gazprom shares are included in **45 MSCI ESG indices***

ESG RATINGS AWARDED



GAZPROM

2020 KEY RESULTS



Key highlights in 2020 (% YoY vs 2019)



CLIMATE CHANGE

-17.5%

Water consumption

(down from 3,921 mcm to 3,237 in 2020)

-14.6%

Air pollutant emissions

(down from 2,863 tons to 2,446 in 2020)

-11.0%

GHG emissions (Scope 1)

(down from 237 mmt of CO2 equivalent to 210 in 2020)

-3.2%

Waste generation

(down from 3,337 tons to 3,230 in 2020)



SOCIAL CAPITAL

-11%

LTIFR*

(down from 0.09 to 0.08 in 2020)

-28%

FAR*

(down from 1.35 to 0.97 in 2020)

+70%

financial support of indigenous minorities (RUB 257 mn in 2020)

+4%

charity spending (RUB 28.8 bn in 2020)



CORPORATE GOVERNANCE

Expert RA assessed the quality of the corporate governance and assigned **the highest governance quality rating to PJSC Gazprom – A++.gq**

112
thousand
employees completed
an e-learning Corporate Ethics course

GAZPROM

2020 MAIN DEVELOPMENTS



Key developments in 2020



CLIMATE CHANGE

- Project to work out low-carbon development scenarios until 2050
- Project to deploy mobile compressor stations (MCS) in gas transmission facilities, which helped save 486 mcm of natural gas in 2020 (up from 61 mcm in 2019)
- Other measures taken by Gazprom subsidiaries to achieve the emission reduction goals



SOCIAL CAPITAL

- ISO 45001 certification: total share of certified subsidiaries increased to 61% (59 out of 96)
- The share of workplaces exposed to H&S hazards has been reduced from 14% to 13.7%
- The new Process Safety Management System Development Strategy until 2021–2030 approved



CORPORATE GOVERNANCE

- Transition to the simultaneous disclosure of the Environmental Report, the Annual Report and the Sustainability Report
- Integration of the ESG KPIs into the LTIP is in the process
- Electronic voting introduced at the General Meeting of Shareholders
- Fast-tracking the transition to the new 2019 Dividend policy

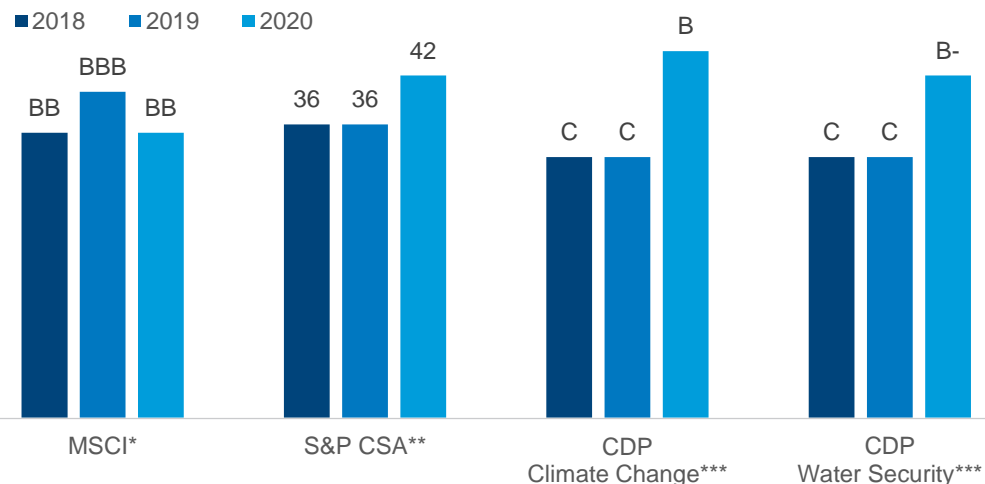
GAZPROM ESG RATINGS



PJSC GAZPROM

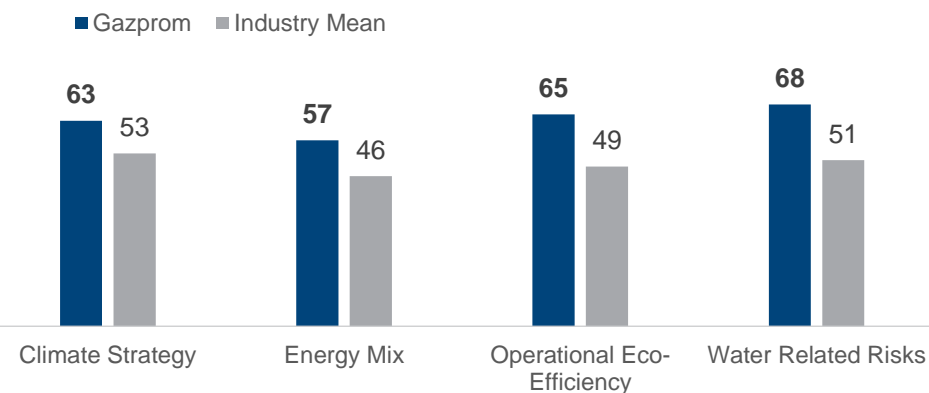
- leads the way in terms of **CDP Climate Change** scores in Russia in 2020 among industry peers
- is one of the few companies in the industry to disclose water resource data in the **CDP Water Security** questionnaire and achieve high scores
- enjoys strong **environmental scores above** the industry mean
- **>70% percentile**
- is more than comparable with the peers in terms of **social impact**
- **~60% percentile**
- lagging behind but working to improve its **corporate governance score**

EVOLUTION OF THE KEY ESG SCORES



ENVIRONMENTAL LEADERSHIP

S&P CSA score by criteria****



* The downgrade in the MSCI score in 2020 is due to the methodology revision by MSCI. Source: [MSCI ESG Ratings Corporate Search Tool](#) Best score: A

** Source: [S&P Global Gazprom profile](#) Best score: 100

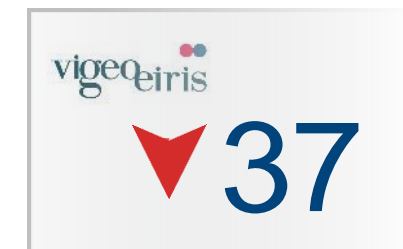
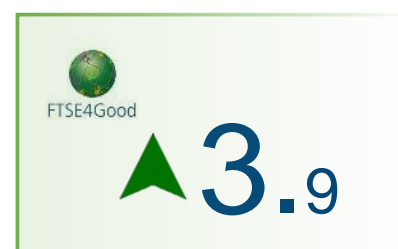
*** Source: [CDP Scores](#) Best score: A.

**** According to S&P CSA 2020, Gazprom's environmental score in the key ESG ratings is above the industry mean. Source: [S&P Global Gazprom profile](#)

GAZPROM ESG RATINGS



☰ PJSC GAZPROM ESG RATINGS SCORES 2020



According to **ICMA****** to disclose their climate transition plans and **issue green financial instruments** companies may use a number of pre-existing disclosure frameworks such as **TCFD, SASB, CDP**.

* Source: [S&P Global Gazprom profile](#) Best score: 100

** Source: [CDP Scores](#) Best score: A.

***The downgrade in the MSCI score in 2020 is due to the methodology revision by MSCI. Source: [MSCI ESG Ratings Corporate Search Tool](#) Best score: A

**** According to the new CHRB methodology, the maximum score is 26

***** Source: ICMA Climate Transition Finance Handbook, December 2020, p.6



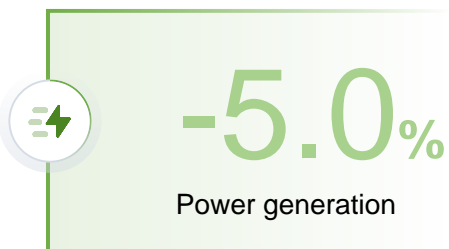
ENVIRONMENT

GHG TARGETS AND SUSTAINABLE DEVELOPMENT SCENARIOS THROUGH TO 2050



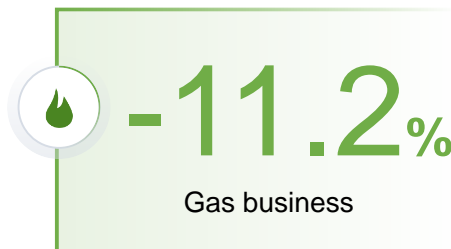
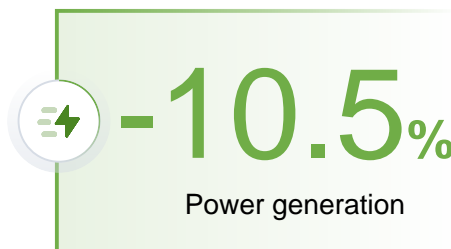
KPIs (by 2025)

Reduction in carbon intensity, CO2 eq (against the 2018 baseline)



KPIs (by 2031)

Reduction in carbon intensity, CO2 eq (against the 2018 baseline)



KPIs (by 2050)

included in the **Climate Strategy and Roadmap until 2050** will be based on the **sustainable development scenarios through to 2050** to be developed for Gazprom in 2021-2022



Stage 1 (completed)

Analysing long-term economic and political consequences of the transition to low-carbon economy (LCT) by 2050



Stage 2 (in progress)

Analysing strategies of global energy companies in the LCT context



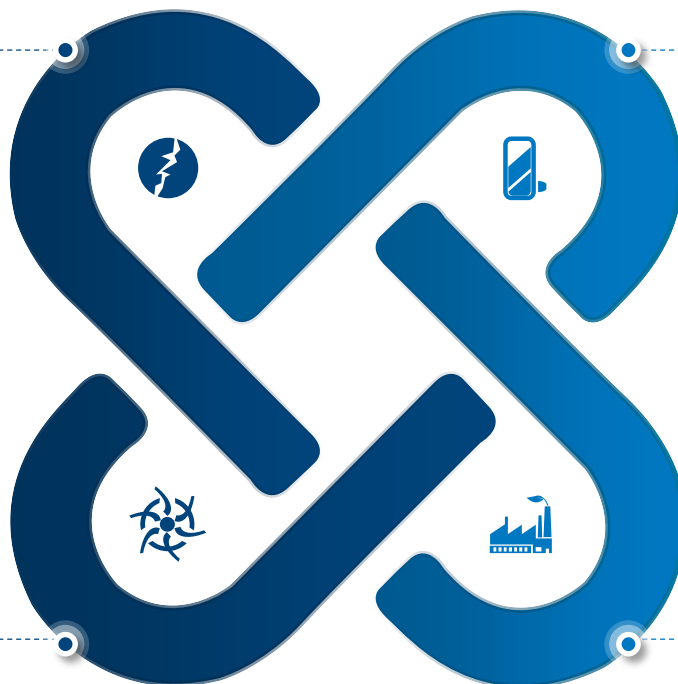
Stage 3 (expected to be completed by June 2022)

Developing Gazprom's climate strategy until 2050 based on the possible scenarios and given the low-carbon trend in the global economy

HYDROGEN ENERGY DEVELOPMENT INITIATIVES

RESEARCH

Comprehensive assessment of hydrogen impact on the gas supply network integrity and stability for potential transportation of methane-hydrogen mixtures



TRLs*: 5–6 (2021)

Project to produce and use methane-hydrogen fuel in gas turbine engines of gas compressor units (Samara, Ufa)

TRLs*: 4–5 (2021)

Development of technologies of hydrogen production from natural gas without CO₂ emissions:

- Plasma-based methane pyrolysis project (Tomsk)
- Methane pyrolysis in liquid metals project (Samara)
- Technology of hydrogen generation from hydrogen sulphide without CO₂ emissions



RESEARCH

- Assessment of the current business-processes' carbon footprint
- Assessment of the potential for creating infrastructure to enhance hydrogen quality to meet consumer needs
- Assessment of the potential for creating hydrogen storage and shipment infrastructure



SOCIAL

PJSC GAZPROM'S PROCESS SAFETY MANAGEMENT DEVELOPMENT STRATEGY UNTIL 2021–2030

approved in 2020

- establishes **key priorities**,
- sets forth development **goals** and **objectives** in OHS,
- defines **measures** to deliver against the targets and develop the process safety management system further



The achievement of process safety targets and the process safety certification influence remuneration of the subsidiaries' management



Comprehensive program for the reconstruction and technical re-equipment of gas production and transmission facilities



The strategy promotes the operational health and safety principles and the need to raise awareness in OHS among employees and management

- Further improvement and wider implementation of the procedures, regulating contractors' compliance with process safety requirements in Gazprom
- Ensuring contractors' compliance by including process safety requirements and fine and penalty clauses in contracts and agreements





CORPORATE GOVERNANCE

FURTHER CORPORATE GOVERNANCE **IMPROVEMENT**










SUMMARY

SUSTAINABLE DEVELOPMENT has always been an integral part of GAZPROM'S STRATEGY

The growing ESG TREND adds

- new focuses,
- new challenges,
- more changes

RISKS AND CONSTRAINTS

-  Lack of a clear ESG agenda from the Russian government and a favorable regulatory framework
-  Possible implementation of the carbon tax by the EU
-  The hydrogen market is still at an early stage of development
-  The company faces the need to overturn the stereotype that an O&G business cannot develop align with the ESG trend
-  The company's sophisticated corporate structure hinders data collection (for ESG-agencies) and the required process unification and implementation



Q&A