**FUNDAMENTAL PRINCIPLES OF THE RATING**

The rating is performed on the basis of the criteria specified, first and foremost, in the Joint Environmental Requirements of the Public Interest Environmental Groups to the Oil and Gas Companies (https://new.wwf.ru/upload/iblock/4ac/oil\_demands.pdf).

The rating methodology shall be discussed with all the interested parties. Face-to-face and distance consultations dedicated to improving rating methodology are held annually with the rating participants.

The rating is calculated considering all the segments: production, processing and transportation.

The rating is based on the data related to the companies’ operations in Russia, available in public domain. Availability in public domain is understood as being accessible to public in the form of annual business or socio-ecological reports, including reports on environmental protection measures (including regional ones). Also, for the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) with the necessary inclusion of references to the relevant pages in the site menu, or if it is provided through interviews of the companies’ official representatives for republican or regional media.

The rating calculation shall be performed by the professional rating agency, which is chosen on the basis of tender.

List of the companies for the rating in 2017: please refer to Appendix to the document.

The rating is performed on the annual basis. This allows for estimation of the oil & gas companies environmental indicators dynamics.

**RATING METHODOLOGY**

The Rating consists of three sections: Environmental Management, Environmental Impact, and Disclosure / Transparency

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

Section 2 evaluates the scale of impact of oil and gas companies on the environment. In particular, the damage level is revealed for air, water and land during the implementation of projects, as well as the ecological performance of the industrial operations. In most cases the criteria are based on components of state statistical reporting devoted to environment protection. This Section includes quantitative values that are being transformed to qualitative scale by comparing to industry-average indicators for every criterion. The industry-average indicators, when not available from official sources, are calculated as an arithmetic mean value for companies participating in the Rating. For comparative analysis across the companies, the data are used per production unit by dividing gross indicators into the volume of hydrocarbons produced and processed. In 2015, the range of specific indicators are also analyzed for transported hydrocarbons.

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

**RATING RESULTS CALCULATION**

The Rating is calculated as follows. Each company is assigned color flags for each of criteria – Red, Yellow or Green.

When a criterion is not relevant for the given company (for example, the company does not produce fuel or does not operate in the territories of Small Indigenous Peoples of the North), no flag is assigned. When the information related to the criterion is not available publicly, red flag is assigned. For the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) or if it is given through interviews (for federal and regional mass media) of the companies’ official representatives.

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

In order to ensure that no data used in calculation of previous ratings is replaced or goes missing, the organizers proposed the following motivating solution. Retrospective assessment of each company is performed over the period of preceding 3 years. In case certain data is no longer available in the public domain, the company is requested to provide reasons for these changes. In case adequate explanation is given (new site, new methodology, etc.), the data changes are taken into account However, if no reasonable explanation is provided, red flags are assigned to criteria where previous years data is missing or has been changed. Thus, section and overall rating points will be lower for the companies that have not issued proper comments on lack or change of respective data on their sites.

The final Rating is calculated for every company by averaging three values assigned in accordance with the previous stage.