

HUMAN RESOURCES POLICIES AND CORPORATE CULTURE

IN 2019, THE UPDATED HUMAN RESOURCES POLICIES OF ZARUBEZHNEFT GROUP FOR 2019–2023 WERE APPROVED.

The Human Resources Policies are based on the Corporate Development Strategy of Zarubezhneft JSC, which determines the primary objectives and areas of development of Zarubezhneft Group, and are aimed at supporting implementation thereof.

The primary objective of the Human Resources Policies is to achieve the maximum return on investment in personnel (talents) through shaping a system to:

- motivate each employee to achieve the objectives set by the Corporate Development Strategy;
- enable an unbiased evaluation of the extent to which results have been achieved;
- provide fair reward and encouragement for the employees' achievements.

The Human Resources Policies Fundamentals:

- meeting the needs of Zarubezhneft Group's business lines for high-qualified professionals (both internal and external candidates);
- continuous development and training of the most active and promising employees (Talented Personnel Pool, Nestro Lead, Professional Skill Contests);
- continuous improvement of the compensation system and benefit plan;

Personnel composition of Zarubezhneft Group in 2019 by area of activity,
people

Activity	2016	2017	2018	2019	+/-	Dynamics, %
Management company	322	326	317	315	-2	-1
Zarubezhneft JSC representative offices and branches	26	25	24	24	0	0
Exploration and production	9 402	8 813	8 415	8 408	-7	0
Downstream	2 127	2 073	2 029	1 833	-190	-9
Service and other assets	1 969	2 008	1 896	2 002	106	6
TOTAL	13 846	13 245	12 681	12 588	-93	-1

- application of an objective and transparent performance evaluation system;
- creation of a favorable Corporate Culture;
- unconditional compliance with the labor legislation of the Russian Federation and the countries of presence.

PERSONNEL NUMBER AND STRUCTURE

In 2019, the number of employees of Zarubezhneft Group was 12,588 people, 1% lower than in 2018. In general, the average number of employees of Zarubezhneft Group tends to decrease, which is due to measures to enhance

business performance. The number of employees in the downstream segment in Bosnia and Herzegovina decreased by 9.4%. Despite the decrease in the personnel of JV Vietsovetro due to the establishment in August 2019 of JV ANDIJANPETRO LLC in the Republic of Uzbekistan, the number within the upstream segment remained substantially unchanged. The growth in the number of employees in the segment "Service and Other Assets" is associated with RMNTK Neftetodacha JSC's and Zarubezhneftstroyromtazh LLC's business expansion.

The upstream segment traditionally remains a priority development area for Zarubezhneft Group, as it makes up 67% of the total personnel.

Oil production activities are associated with heavy physical loads, work at remote fields and shift work; therefore, 82% of the Group's personnel are male.

PERSONNEL MOTIVATION AND INCOME STRUCTURE

Among the tools of the HR Policies adopted in Zarubezhneft JSC, there is a differentiated approach applied in determining the compensation amount based on the extent of employees' involvement in achieving the Group's strategic goals, which allows us to attract, retain and motivate employees with the expertise and performance levels required for Zarubezhneft Group's business objectives to be achieved with minimal costs.

The Group implements flexible motivation programs covering both tangible and intangible incentives.

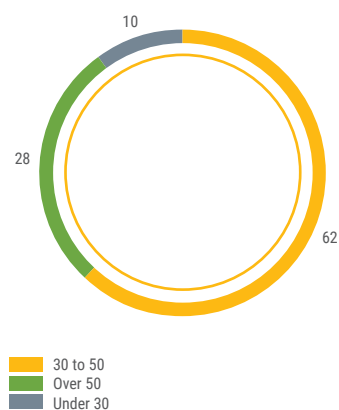
The amount of fixed and variable portions of employee compensation depends on the following factors:

- the position level as expressed by the corresponding pay grade;
- the level of professional expertise and labor efficiency as reflected through granting a certain professional status to an employee;
- the work performance and achievement of the objectives set for the reporting period, as reflected in the amount of variable compensation for that period;
- the level of remuneration for comparable positions in the labor market (competitor companies), and Zarubezhneft Group's target position in the labor market for this position level.

When determining the Group's target position in the labor market, we apply the following approaches:

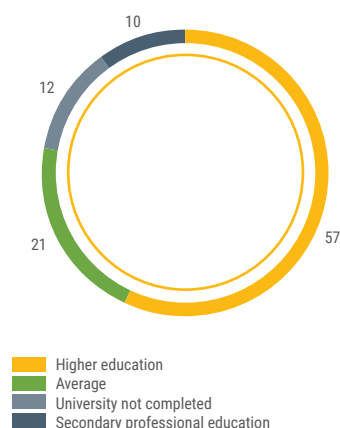
- selection of a labor market appropriate for a certain group of personnel (Moscow, regional, and international labor markets);

Personnel composition by age as of December 31, 2019



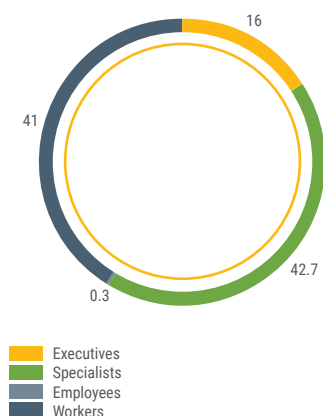
The personnel composition by age is traditionally shaped in such a way that two thirds of the employees are in their 30–50s, which shows the best balance of physical abilities and professional experience.

Personnel structure by educational background as of December 31, 2019



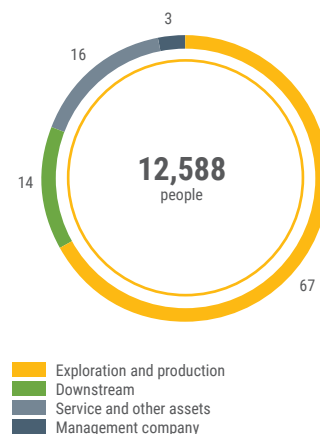
More than half of Zarubezhneft Group's employees, 57%, have a higher education. The employees having secondary and vocational secondary education certificates also make up a significant portion of the total personnel number.

Personnel composition by position category of position as of December 31, 2019



The personnel composition by position category is designed to ensure balance between managers, specialists and operating personnel.

Personnel composition of Zarubezhneft Group in 2019 by area of activity



From 2016 to 2018, the average age of Zarubezhneft Group's personnel remained as high as 42 years; however, in 2019, due to the ongoing headcount optimization measures in force at the enterprises of Bosnia and Herzegovina and at JV Vietsovpetro, the average age of the personnel increased to 43.