

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.

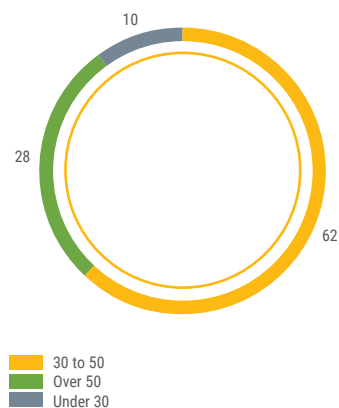
The amount of fixed and variable portions of employee compensation depends on the following factors:

- 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:

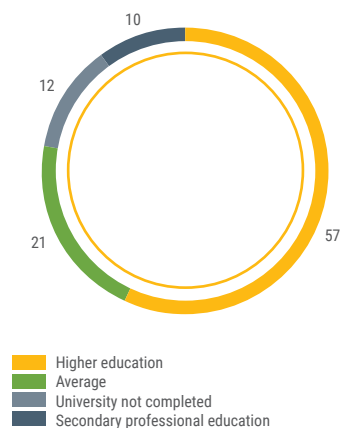
- selection of a labor market appropriate for a certain group of personnel (Moscow, regional, and international labor markets);

### Personnel composition by age as of December 31, 2019



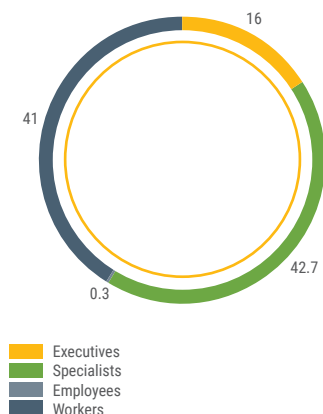
The personnel composition by age is traditionally shaped in such a way that two thirds of the employees are in their 30–50s, which shows the best balance of physical abilities and professional experience.

### Personnel structure by educational background as of December 31, 2019



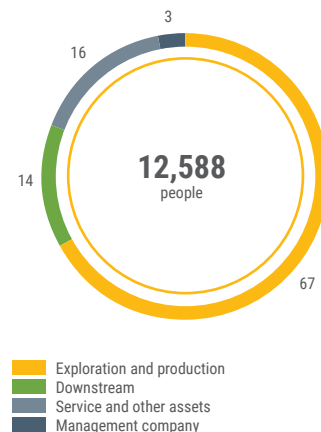
More than half of Zarubezhneft Group's employees, 57%, have a higher education. The employees having secondary and vocational secondary education certificates also make up a significant portion of the total personnel number.

### 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.

- identification of key groups of employees and the positions for which the Group is ready to ensure wages/salaries higher than average across the respective labor market;
- for other employees, the Group is ready to provide average salaries as in the respective labor market.

Therefore, Zarubezhneft JSC consistently develops the following areas:

- improving the system of employee payment and motivation;
- improving and developing an integrated headcount planning system.

Within the Group, the Integrated Labor Payment System (ILPS), introduced in 2013, remains in place and in force.

The ILPS determines a uniform procedure for setting employees' salaries based on a single grading line, reflects the Company's business interests and priorities, and ensures that each employee's annual compensation is linked to his or her achievement of key performance indicators (KPIs).

The ILPS provisions are formalized in the Model Regulation on the Employees' Labor Payment and Motivation; newly established subsidiaries develop their regulatory documents while taking account of the standard requirements, as they join the system.

In 2019, due to massive business expansion and entering new projects (in Uzbekistan and Egypt), Zarubezhneft Group Personnel Relocation Policies were developed and approved, establishing unified rules to govern personnel relocation, compensations and benefits, as well as protection of interests of the Group employees, and their family members, at rotation to new projects.

The basic securities and compensations included in the Relocation Policies are as follows::

- Travel allowance and relocation allowance;
- Visa support, ticketing, securing work permits;
- Provision of accommodation;
- Refund of expenditures on kindergartens and schools;
- Provision of voluntary health insurance to employees and their family members;
- Pension fund scheme.

The key components of the Relocation Policies are as follows:

- guaranteed employment of each Zarubezhneft Group employee after having completed his/her work at the Project;
- in the absence of an opportunity to provide the above employment, the Group shall pay the employee a monetary compensation.

In order to attract and retain key managers at Zarubezhneft Group, a complex system of motivation was built, comprising the following components::

- fixed compensation (title wage, increments and supplements in accordance with the law);
- month-end bonuses based on the performance targets achievement;
- year-end bonuses based on the KPI achievement.

The Group regularly analyzes inflation and consumer price index dynamics, on the basis of which decisions are made as to revision (indexation) of the employees' salary level.

### SOLE EXECUTIVE BODY (GENERAL DIRECTOR) REMUNERATION

All payments to the sole executive body are made as per the employment contract and on the basis of the following documents::

- Regulation on Zarubezhneft JSC Employees' Payment and Motivation;
- Regulation on Zarubezhneft JSC's General Director's Annual Compensation (Minutes No. 155 dated May 30, 2018);
- Regulation on the Social Securities for Zarubezhneft JSC Employees and Retirees.

Pursuant to the Regulation on Zarubezhneft JSC's General Director's Annual Compensation, the annual compensation amount is determined based on the extent of corporate KPI target values achievement, subject to the indicators of bonus cancellation and implementation of the Corporate Business Initiative "Challenge", as approved by the Board of Directors of the Company.

### SOCIAL PROGRAMS

An integral part of the Group's compensation system is a social support program for employees and their family members, which is taken into account when evaluating the overall attractiveness and competitiveness of the compensation to be proposed.

Zarubezhneft Group has approved the Integrated Vision of Lump-sum Payments and Social Policies, the purpose whereof is to provide a decent level of medical services, assistance to the employees facing various adverse circumstances, compensation for the earnings lost upon retirement, and support to the Group retirees.

Uniform requirements to the subsidiaries' benefits plans are formalized in the Model Regulation on Social Securities for the Subsidiaries' Employees. Each subsidiary selects and approves, based on its employees' needs and its own financial capacity, the optimal package of benefits, securities and refunds attributable to the employees.

In order to take measures to maintain employees' health, the Company arranges reservations in Russian and Crimean health resorts. Employees are given the opportunity to purchase health resort vouchers for themselves and their family members, which are to be partially refunded by Zarubezhneft JSC; large families, along with families with children under 14, are given priority in this regard.

The year 2019 saw a positive trend in welfare benefits. In 2019, the amount