

- 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

of welfare benefits increased by 8% against 2018; and excluding retirement benefits from JV Vietsovpetro, the increase in welfare benefits amounted to 10%, as shown below.

Intangible incentives constitute an inherent part of the personnel motivation system. In order to encourage employees and labor collectives for significant contribution to Zarubezhneft JSC's development and for the achievement of prominent production, financial and economic indicators, as well as for the purpose of improving corporate culture, the Company established titles of honor such as "Honored Employee of Zarubezhneft JSC", "Long-Service Worker of Zarubezhneft JSC", and such awards as Zarubezhneft JSC Certificate of Appreciation and Zarubezhneft JSC Certificate of Acknowledgment.

Over the last year, 236 employees of Zarubezhneft Group won departmental and corporate awards.

RECRUITMENT AND ONBOARDING

The Group's priority in the area of recruitment is to meet the business need for highly qualified professionals through maximizing the use of internal candidates and personnel rotation.

Zarubezhneft JSC widely applies the employees' onboarding system: for new employees, an onboarding workshop is held, supervision and on-the-job training are practiced, and an individual onboarding plan for each employee is drawn up. For successful onboarding purposes, since 2018 at Zarubezhneft JSC, the automated personnel management system "WebTutor" has been functioning: on the first day of employment, a new employee of the Company gets access to his/her personal account, receives an invitation to take mandatory introductory courses and get familiar with the materials about the Company,

including "New Employee's Guidebook", "Corporate Code of Ethics", and other documents.

PERSONNEL EVALUATION, TRAINING AND DEVELOPMENT

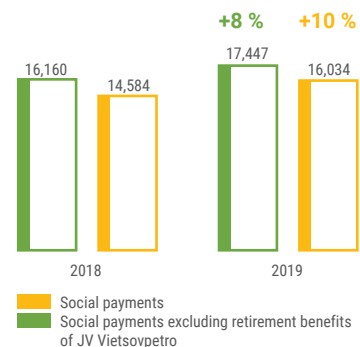
Pursuant to the Company's Human Resources Policies, personnel evaluation (assessment) is a flexible and transparent system of managing employees' performance, aimed at timely and high-quality fulfillment of strategic objectives through providing unbiased evaluation and ensuring efficient development of employees' performance and professional expertise.

The Company conducts annual personnel assessment on an ongoing basis, which allows us to systematically and objectively evaluate employee performance indicators, identify the most promising employees, encourage Company employees for prominent labor results and high professionalism, and determine the potential areas for both professional and personal development of employees.

Employees are evaluated against the following indicators:

- achievement of individual objectives/tasks by the employee over the past year;
- level of professional expertise development;
- level of development of corporate and managerial competencies;
- implementation of the development map/individual development plan for the past year;

Dynamics of social payments per one employee of Zarubezhneft Group, RUB



- level of the employee's potential for further career growth and development;
- total performance of the employee.

Based on the results of annual evaluation, employees are provided with detailed and substantiated information on the performance and level of development of the employee's expertise. Proposals are then formed and a decision is made as to the expediency of raising the professional status, changing the grade/position, promotion of the employee to a higher position, inclusion of the employee into the talented personnel pool, and priorities in the development of key expertise areas and individual objectives for the next year are determined for each employee.

The Company implements external assessment activities, such as the Assessment Center, 180/360-degree review, and various

Awards

Types of awards	Number of the awarded (persons)	Including foreign citizens
Departmental	34	33
Corporate	202	-
TOTAL	236	33