

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

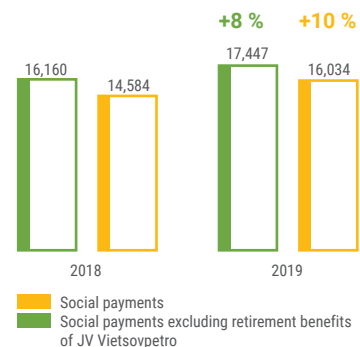
Pursuant to the Company's Human Resources Policies, personnel evaluation (assessment) is a flexible and transparent system of managing employees' performance, aimed at timely and high-quality fulfillment of strategic objectives through providing unbiased evaluation and ensuring efficient development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

types of testing to identify the level of professional knowledge and skills, professional and personal qualities, and verbal and numerical abilities.

In the fiscal year, as part of the annual employee assessment, an additional 360-degree survey of top and middle management was conducted in order to identify the current situation as to compliance with corporate governance principles, and to further shape an action plan to develop and promote these principles.

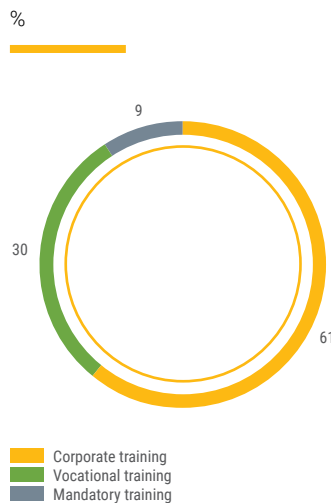
In order to implement uniform HR Policies in personnel assessment, assessment activities are carried out throughout Zarubezhneft Group.

The Company employee training and professional development system is designed not only to increase the required level of the employees' professional and technical competence, but also to meet obligatory state requirements for oil and gas sector personnel in terms of level of training in industrial safety, occupational health, anti-corruption and fraud prevention.

The Company applies all modern types, forms and methods of training, hosted by the best Russian and foreign organizations and corporate training centers engaged in educational activities under a wide range of professional development and retraining programs. When implementing the training process, long-term and short-term training are used, both in-person and remotely, including specialized courses delivered through the automated system "WebTutor".



Training structure in 2019,



The Company provides for the following training areas:

- corporate training in management and professional training programs in accordance with high-priority goals and objectives, which is aimed at developing corporate, managerial and professional competencies among employees;
- vocational training aimed at developing the knowledge, skills and abilities required for performance of job duties;
- obligatory training conducted under the requirements of governmental authorities and legislation of the Russian Federation, certified with relevant documents.



In the fiscal year, under Zarubezhneft JSC's development strategy, the key areas of personnel training and development were as follows:

- implementation of individual training programs aimed at professional development in accordance with current and strategic tasks and changing legislative requirements;
- joint implementation with leading Russian and foreign universities of the training process to train professionals in the areas most in demand in the Company;
- implementation of a corporate training and development program for the most promising employees, aimed at improving knowledge in the field of managerial potential development;
- implementation of the Lean Six Sigma corporate training program on production system and lean production;
- implementation of programs for teams to train under international projects;
- implementation of a corporate English language training program;

- implementation of corporate training and development programs for the Group's key technical specialists.

For planning and implementation of corporate training, a Unified Corporate Programs Menu for top and middle managers, specialists, the talented personnel pool and young specialists has been formed and is currently used, and this Menu includes programs on strategic management, management-related, vocational, and distance training, and English language training.

The priority area of the employee training system is the development of key professional and technical expertise in geology, development, drilling, oil and gas production, and project management.

Vocational training is hosted by the in-house School of Petroleum Engineering. The School of Petroleum Engineering attracts both external lecturers and in-house ones belonging to Zarubezhneft Group.

In 2019, the School of Petroleum Engineering trained 203 people, including employees of the Corporate Center, subsidiaries, and JV Vietsovetpetro; the corporate knowledge base has been continuously complemented with materials from previously completed courses.

Zarubezhneft JSC pays special attention to promoting talented and purposeful specialists with solid professional and managerial expertise to work on both the Company's new and existing projects. The winners of the Nestro Lead competition — the first open competition for Zarubezhneft Group employees that started a comprehensive corporate personnel development program — were trained under the integrated program "Modern Leader in the International Environment" hosted by the International School of Business of the National University of Oil and Gas "Gubkin University" and the Moscow School of Management "Skolkovo". The winners' development program included internships in Norway and Japan, with 40 winners having participated in the program.



The objectives of the Nestro Lead training and development programs for competition winners and finalists are to form an efficient and cohesive team to perform work on foreign assets, taking into account the Company's strategic interests; to assess and develop the personal potential of each team member; and to improve communication skills in an international environment.

The Company seeks to keep pace with the times and apply modern automated HR technologies. Using the WebTutor software program, all assessment, training and development tools are automated and aligned in a single system governed under a single logic. The system's introduction has significantly reduced labor and time spent on preparing and conducting assessment procedures and analyzing the results thereof. It has also increased the number of employees undergoing training simultaneously at the Company through remote training courses. This system is integrated in all but a few of the Company's subsidiaries and makes it possible to ensure the assessment

procedures are implemented online, as well as organize training on a remote basis. A training portal that includes all types of training provided by the Company has been developed to foster employees' professional and personal development. In order to promptly plan and schedule employees' training, the procedure for posting training applications online has been introduced, which has reduced labor costs for creating and analyzing proposals for arranging training activities submitted by employees. In 2020, the WebTutor automated HR management system will be further developed through the introduction of a new training module entitled "Talent Management and Career Development".

ROTATION PROGRAM AND TALENTED PERSONNEL POOL

In order to retain and motivate key employees, develop the necessary expertise and reduce the costs of personnel recruitment and onboarding, the Company has created a Talented Personnel Pool and implemented

an in-house rotation program. The talented personnel pool includes 134 of the Company's most promising employees. Each of them is assigned a mentor from among the top managers.

In 2019, 23 employees from among the talented personnel pool were appointed to management positions, and 59 in-house employee transfers took place across Zarubezhneft Group.

For the purpose of continuously developing the talented personnel pool, the concept of modular training for the talent pool members is being implemented and hosted by the Company's own School of Leadership and Managerial Potential Development. The main tasks of the School are as follows:

- developing key promising employees;
- improving governance and management culture;
- enhancing professional/business and personal qualities;
- increasing leadership potential and teamwork performance.