

INVESTMENT PORTFOLIO MANAGEMENT SYSTEM

The basic documents regulating Zarubezhneft's investment portfolio management activities are the Investment Planning Business Process Standard (approved by Order No. 209 dated June 28, 2019, with amendments and additions by Order No. 146 dated July 6, 2020) and the Methodology for Ranking Investment Projects of ZARUBEZHNEFT GROUP (approved by Order No. 366 dated December 11, 2019).

140.8 current
NPV
of ZARUBEZHNEFT GROUP

Goals and process improvement

The main priorities in the development of Zarubezhneft's investment planning system are the optimization and automation of investment processes and an emphasis on increasing the quality and speed of managerial decisions. The Company pays particular attention to the optimization of the due diligence process both within the monitoring of current projects and when joining new projects. The following measures were taken for these purposes in 2020:

- ▶ The examination checklists for new projects were thoroughly re-engineered
- ▶ A matrix was developed for the expert review of the involvement of responsible structural units in the expert review of materials taking into account the type and stage of the project or investment initiative

In order to improve the efficiency of the investment process in 2020, the Company decided to replicate the ELMA BPM system that was introduced during the previous year in the Corporate Center at the Group's pilot subsidiaries. This solution enabled the Company to achieve impressive results in terms of reducing the labor intensity of the process and increasing the level of automation.

In addition, the confluence of two previously separate processes — the establishment of the long-term Asset Development Project (ADP) and the medium-term Business Plan — also influenced the reduction in the labor intensity of the process. This solution was introduced during the stage of preparations for the 2021–2025 budget campaign. The ADP was created and defended within a single document, which helped significantly reduce the number of forms and slides in presentation materials.

Application area

4
number of subsidiaries in the system

+50 persons
users in the system

>30 number of test examinations in the system

11
number of projects considered in the system

Key results of the BPM system replication

-48% (from 50 to 26)
reduction in manual operations

-47% (from 8,5 to 4,5 FTE)
reduction in the labor intensity of participating subsidiaries

-50% (from 4 to 2)
reduction in the number of iterations of material review to 8 communication centers

Monitoring of investment projects and wellbore interventions

Monitoring of the investment portfolio is an integral part and a key tool of process management during the stage of the development and implementation of investment projects.

All projects and investment initiatives that have the status of being approved by the Company Investment Committee are subject to monitoring.

The existing system of investment decision-making has high requirements for the development of each project and ensures the highest possible accuracy of cost planning is achieved at each stage of the implementation of investment projects.

As investment projects are updated as part of the Forecast for the Implementation of the Long-Term Development Program of Zarubezhneft, positive dynamics remain in terms of net present value for ZARUBEZHNEFT GROUP's current investment portfolio.

The purpose of monitoring is to obtain reliable information about the results and prospects of investment projects and initiatives to make sound, timely management decisions.

In addition to the procedure for monitoring investment projects, the Company carries out ongoing monthly control of the implementation of wellbore interventions:

- ▶ Each wellbore intervention undergoes an express evaluation in accordance with investment analysis principles
- ▶ A mandatory determination is conducted of a minimum cost-effective oil price for a zero economic result for each project as well as an initial screening of projects whose positive implementation could not be possible under the target macroeconomic conditions

In addition, in order to manage the risk of changes in macroeconomic parameters, the Company regularly monitors exchange rates and oil prices, compares them with approved indicators, and evaluates the impact on the investment project portfolio by developing, if necessary, a set of stabilization and optimization measures and monitoring their further implementation.

The Company's combined use of all these tools makes it possible to maximize efficiency in investment activities during each stage of the investment planning process.

GROUP'S NPV DYNAMICS, RUB mln

