

Rotation program and talent pool

One of the strategic tasks of the Group's HR Policy is to retain and motivate key employees. To accomplish this, the Group has put together and annually updates its staff structure, while also actively using a program of internal staff rotation.

At present, the Group's talent pool includes 114 high-potential employees, each of whom has been assigned a mentor from among senior and middle management (deputy General Directors, department heads).

In 2020:

- ▶ 26 employees from the talent pool were appointed to managerial positions
- ▶ 47 internal rotations were carried out between Zarubezhneft enterprises
- ▶ 75% of key positions at the Group were filled by internal candidates

In an effort to continuously develop the talent pool, modular training is carried out annually at the Company's School of Leadership and Management Potential

Development. The school's training programs aim to develop managerial, business, and personal skills as well as improve leadership potential and teamwork. During the reporting year, the School of Leadership and Management Potential Development held courses for 122 people in the following programs: 'Fundamentals of digital transformation in the oil and gas industry', 'Building relationships and influence', 'Team and personal leadership', 'Openness to new things and innovativeness', 'Planning and organization of work', 'Decision-making', 'Results orientation', 'CPP: Working with a succession candidate', 'Effective feedback/meeting on performance and development', and 'Effective delegation'.

Programs for the development of managerial and corporate expertise in the workplace were prepared for the additional development of succession candidates and the fulfillment of individual development plans, and an e-library was set up with the ability to view and download books online in an effort to get employees to study and develop skills independently.

Motivation

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One of the key focuses of Zarubezhneft's HR Policy is to attract, retain, and motivate employees with the skills and performance level that are needed to successfully implement the Group's strategic tasks with minimal costs. For this purpose, a differentiated approach is used when determining remuneration based on the extent of an employee's involvement in achieving overall results.

Zarubezhneft implements programs with both financial and non-financial incentives for employees.

Financial

Since 2013, the Group has employed the Unified Labor Remuneration System (ULRS). The ULRS is based on a single range of grades based on which official salaries are established, and also stipulates the extent to which an employee's annual remuneration depends on the position level and the achievement of KPIs. The requirements of the ULRS are set out in the Standard Regulation on the Remuneration and Motivation of Employees. New subsidiaries join this system and develop their own regulatory documents taking into account the standard requirements.

The amount of the fixed portion of an employee's remuneration depends on the level (grade) of the position as well as the level of the employee's professional skills and performance, which is determined with the establishment of a certain professional status for the employee. The amount of the variable portion of an employee's remuneration depends on work efficiency and the achievement of the goals set for a reporting period.

Total remuneration for employees of ZARUBEZHNEFT GROUP is maintained at a level no lower than the average for comparable positions on the labor market in the respective region. To this end, the Group is carrying out systematic work to improve the system of remuneration and employee motivation as well as to develop an integrated headcount planning system.

Since 2019, the Group has employed a Staff Relocation Policy, which was drawn up in response to the active expansion of operations and entry into new projects. The main components of the Staff Relocation Policy are: travel compensation, a relocation allowance, visa support, housing, payment for daycare and school, and voluntary health insurance for employees and their family members. The key guarantees of the Staff Relocation Policy are: the employment of the Group's employees upon completion of a project or the payment of monetary compensation if there are no employment opportunities available.

The next step to support the implementation of the Group's Corporate Development Strategy in terms of joining new assets in Russia and abroad was the approval in June 2020 of a new Regulation on the Motivation of Project Teams When Joining New Assets. The main goal of the Regulation is to increase efficiency when searching for and evaluating new assets as well as drafting and signing documents that stipulate the conditions under which Zarubezhneft joins a new asset. The Regulation aims to enhance the motivation of project team members to: search for upside; ensure the successful signing of documents to join a new asset; and achieve the indicators contained in the financial and economic model.

In order to attract and retain key managers, ZARUBEZHNEFT GROUP has built a comprehensive motivation system, which includes the following elements:

- ▶ Fixed remuneration (salary, allowances, and additional payments in accordance with the law)
- ▶ Monthly bonuses based on the results of fulfilling monthly bonus targets
- ▶ Annual bonuses based on the results of achieving KPIs

The Group regularly analyses the inflation rate and the consumer price index based on which it decides whether to revise (index) employees' wages. The minimum wage is set no lower than the subsistence level in the region of operation.

Average salaries in Cuba declined in 2020 due to managerial vacancies at the branch. In Uzbekistan, average wages decreased compared with 2019 as a result of employees being recruited for blue-collar occupations.

The employee social support program is an integral part of the Group's remuneration system. It is taken into account when assessing the overall attractiveness and competitiveness of the proposed remuneration and is implemented based on the approved Unified Concept of Lump-sum Payments and Social Policy, which primarily focus on:

- ▶ Providing a proper level of medical care
- ▶ Assisting employees in the event of various circumstances
- ▶ Partially reimbursing lost earnings upon retirement
- ▶ Supporting the Group's retired pensioners

CHANGES IN AVERAGE WAGES BY COUNTRY OF OPERATION

Country of operation	Measurement unit	2018	2019	2020	+/-	%
Russia	RUB/month	171,100	176,890	192,600	15,710	8.9
Vietnam	USD /month	1,177	1,605	1,674	69	4.3
Republic of Srpska (Bosnia and Herzegovina)	EUR/month	547	548	577	29	5.3
Uzbekistan	RUB/month	0	126,959	85,807	-41,152	-32.4

STRUCTURE OF STAFF EXPENSES (P/SB)¹ BY COUNTRY OF OPERATION, %

Country of operation	2018	2019	2020
Russia	89/11	89/11	90/10
Vietnam	88/12	87/13	86/14
Republic of Srpska (Bosnia and Herzegovina)	91/9	91/9	88/12
Uzbekistan	-	86/14	83/17
TOTAL FOR THE GROUP	88/12	88/12	88/12

¹ Staff costs include payroll (P) and social benefits (SB).

CHANGES IN SOCIAL BENEFITS BY COUNTRY OF OPERATION

Country of operation	Measurement unit	2018	2019	2020	+/-	%
Russia	RUB thousand	1,007,159	1,070,528	1,084,411	13,883	1.3
Vietnam	USD thousand	13,338	19,424	21,884	2,460	12.7
Republic of Srpska (Bosnia and Herzegovina)	EUR thousand	1,387	1,238	1,439	201	16.2
Uzbekistan	RUB thousand	0	3,816	17,005	13,189	345.6

The Standard Regulation on Social Guarantees for Employees of Subsidiaries prescribes common requirements for the social package of subsidiaries. Based on the needs of employees and financial capabilities, each subsidiary selects and approves an optimal set of benefits, guarantees, and compensation.

In an effort to support employee health, the Company is working to organize vacations at health resorts in Russia and Crimea. Zarubezhneft provides partial compensation for the cost of vouchers that employees purchase for themselves and their family members, while preference is given to large families and families with children under the age of 14.

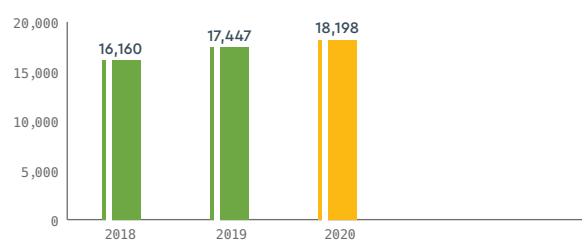
Non-financial

Non-financial incentives play an important role in the staff motivation system. In an effort to encourage employees and the workforce to make a significant contribution to Zarubezhneft's development, achieve high production, financial, and economic indicators, and improve the corporate culture, the Company has established the following awards and titles: Honorary Worker of Zarubezhneft, Veteran of Zarubezhneft, Certificate of Honor of Zarubezhneft, and Gratitude of Zarubezhneft.

In 2020, the Group held the Best Employee by Quarter competition, in which employees who had the greatest influence on the results of events taking place at the Company were determined in three focus areas: developing technological expertise, enhancing organizational efficiency, and meeting the requirements and expectations of the shareholder. In addition, the best workers with a pro-active attitude were selected based on the results for the year.

In 2020, due to the epidemiological situation and in order to protect the health of employees and prevent the spread of COVID-19 at the Group's production facilities, the Company decided to postpone the 'Best in Profession' and 'Best Production Facility' competitions until 2021.

CHANGES IN SOCIAL BENEFITS PER EMPLOYEE, RUB

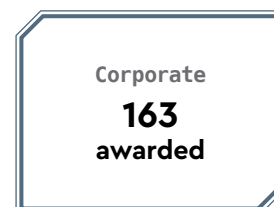
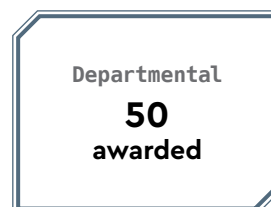


In 2020, social payments increased

by **4.3%**
compared with 2019.

INFORMATION ABOUT AWARDS

Type of awards



Over the past year

213 employees

of ZARUBEZHNEFT GROUP were presented with departmental and corporate awards.