

# Personnel management and corporate culture

ZARUBEZHNEFT JSC IS IMPLEMENTING ITS PERSONNEL POLICY AS PER THE JSC ZARUBEZHNEFT GROUP OF COMPANIES 2014-2019 PERSONNEL POLICY.

## MAIN DIRECTIONS OF PERSONNEL POLICY

- Establishment of an efficient remuneration system and social package;
- Development of a personnel reserve and a personnel rotation system;
- Improvement of personnel selection and adaptation quality;
- Improvement of performance results at all levels, employee training and career development;
- Establishment of an efficient corporate culture and its continuous development.

## PERSONNEL STRUCTURE AND HEADCOUNT

In 2018, Zarubezhneft JSC Group of Companies had an employee headcount of 12,681 persons, which was 4% less than in 2017. In general, the average headcount of the Zarubezhneft JSC Group of Companies tends to be decreasing due to the ongoing headcount optimization measures being implemented in the Group of Companies: the headcount decrease was 5.5% in the "Service and Other Assets" segment, 4.5% in the

### Number of employees

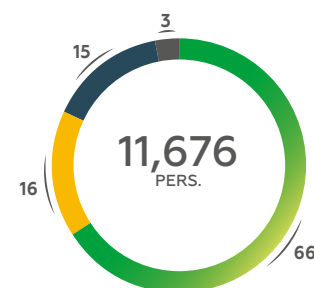
Area of activity	2015	2016	2017	2018	+ / -	%
Governing company	320	322	326	317	-9	-3
Representative offices and branches of Zarubezhneft JSC	30	26	25	24	-1	-4
Geological exploration and extraction <sup>1</sup>	9,972	9,402	8,813	8,415	-398	-5
Oil processing and sale	2,356	2,127	2,073	2,029	-44	-2
Service and other assets	1,853	1,969	2,008	1,896	-112	-6
<b>Total</b>	<b>14,531</b>	<b>13,846</b>	<b>13,245</b>	<b>12,681</b>	<b>-564</b>	<b>-4</b>

"Upstream" segment and 2.1% in the "Downstream" segment.

The "Upstream" segment remains the priority development direction of Zarubezhneft JSC Group of Companies. In 2018, this segment accounted for 68% of all personnel of the Group.

82% of the Group's headcount are men. This is because oil production requires carrying out operations at remote fields, rotational work, as well as a significant share of physical labor.

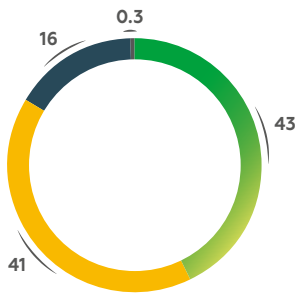
### Zarubezhneft Group of Companies personnel structure in 2018



- Geological exploration and extraction
- Oil processing and sale
- Service and other assets
- Governing company

<sup>1</sup> As of before, the Geological exploration and extraction segment was considered with the personnel of JV "Vietsovetro". It was decided that in 2018 reporting materials on headcount the personnel for other Blocks and Service Project of JV "Vietsovetro" is considered in this version of the Report.

**Personnel structure by job position categories as of, %**

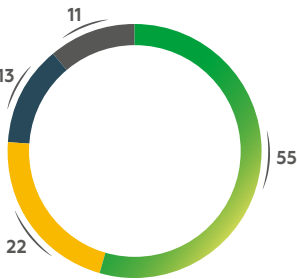


- Workers
- Experts
- Management
- Office

Personnel structure by category of positions is formed in such a manner as to ensure balance between managers, experts and operating personnel.

**AVERAGE AGE OF PERSONNEL IN ZARUBEZHNEFT GROUP OF COMPANIES REMAINS AT THE LEVEL OF 42 YEARS FOR THE LAST THREE YEARS**

**Personnel structure by education level as of 31.12.2018, %**



- Higher education
- High education
- Unfinished higher education
- Intermediate vocational training

Analysis of the personnel structure by education level shows that more than half of the Group's employees have higher education – 55%. Employees with secondary and vocational secondary education also comprise a significant part.

**PERSONNEL MOTIVATION AND REVENUE STRUCTURE**

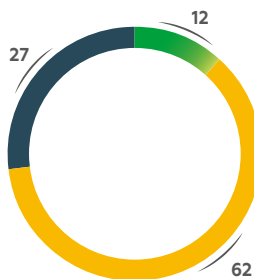
One of the priority objectives of the personnel policy of Zarubezhneft JSC is to create an efficient personnel remuneration system that allows to attract, retain and motivate employees with the necessary competencies and level of performance in order to successfully accomplish the business goals of Zarubezhneft JSC Group of Companies at minimum expense.

The Group of Companies is implementing programs for the material and non-material incentivization of its employees:

The size of the fixed and variable part of employee remuneration depends on the following factors:

- position level expressed by the corresponding labor-remuneration grade;
- level of professional competence and labor productivity implemented through the assignment of a certain professional status to an employee;
- work performance and achievement of set goals for the reporting period, reflected to the extent of the variable remuneration part for the period;
- level of remuneration of comparable positions in the labor market at competing companies and the target

**Personnel age structure as of December 31, .12.2018, %**



- Below 30 years
- 30 to 50 years
- Above 50 years

The personnel age structure is traditionally formed in such a manner that two-thirds of the personnel fall within the 30-50-years age category to ensure a balanced work experience-to-physical capabilities ration. The youth account for a significant specific weight ratio at 12%.