

The following types of appraisal are used when selecting personnel:

- appraisal of individual abilities and personal qualities using certified testing procedures as per international standards, as well as determining the proficiency in the English language of all candidates for positions at the Corporate Center and candidates for individual positions within subsidiaries;
- appraisal of the level of professional and related knowledge, as well as skills in the field of activity.

Zarubezhneft JSC is applying a unified approach and several staff adaptation methods: new employees undergo an adaptation workshop, supervision sessions and workplace workshops are organized, and an individual employee adaptation plan is prepared. For the successful adaptation of its staff, Zarubezhneft JSC has been applying an automated WebTutor personnel management system since 2018: a Personal Account is created for each incoming employee of the Company on their first working day, the employee receives an invitation to take mandatory introductory courses and get acquainted with materials about the Company, including the New Employee's Guidebook, the Code of Corporate Conduct and other documents.

PERFORMANCE APPRAISAL, TRAINING AND DEVELOPMENT

As per the Company's Personnel Policy, the appraisal system is a flexible, transparent staff-performance management system that is used to promote the timely, high-quality achievement of strategic objectives through objective evaluation and ensuring the efficient performance and professional growth of the employees' business competencies.

Zarubezhneft JSC has introduced and is operating a transparent annual personnel appraisal system based on uniform requirements for the performance appraisal and professional development of personnel for objective financial and non-financial remuneration based on the degree of the employee's involvement in achieving the Group's strategic objectives.

The Company conducts annual staff appraisal on a regular basis, which allows systematically and objectively evaluating the staff performance indicators, identifying high-potential employees and stimulating them for positive work results and high professionalism, as well as determining the directions of both professional and personal development of employees. Employees are evaluated as per the following indicators:

- achievement of employees' individual goals / objectives for the past year;
- level of development of professional competencies;
- level of development of corporate and managerial competencies;
- completion of the development map / individual development plan for the past year;
- level of employee's potential for further career growth and development;
- overall employee performance.

The annual appraisal results are used to provide the employees with detailed and balanced information on the employees' performance and their competencies development level over the past year; proposals are made and a decision is adopted on the upward mobility of professional status, changing the grade / position shifting, employee transfer to a senior position and including an employee to the personnel reserve; finally, priorities in the development of employees' key competencies and individual targets for the next year are identified.

The Company implements external assessment measures such as the Assessment Center, evaluation by the 180/360 degree method, various types of testing to identify the level of development of professional knowledge and skills, business and personal qualities, as well as verbal and numerical abilities.

In the reporting year, as part of the annual employee appraisal, an additional survey of managers and supervisors was carried out using the 360-degree method to identify the current situation regarding compliance with the principles of corporate interaction and further development of an action plan for the development and promotion of these principles.

To implement a uniform personnel policy in the area of personnel appraisal, appraisals are carried out throughout the Zarubezhneft JSC Group of Companies.

The Company's employees training and development system is designed to ensure not only an increase in the required level of employees' professional and technical competences, but also the fulfillment of mandatory state requirements for the training of personnel of the oil and gas sector in the area of industrial safety, occupational safety, anti-corruption and fraud management.

The Company utilizes a full range of modern training types, forms and methods carried out based on the best Russian and foreign training institutions, corporate training centers for retraining. The employees are given opportunity for long-term, short-term, full-time, part-time and remote training, including specialized courses conducted on the automated system Web Tutor.

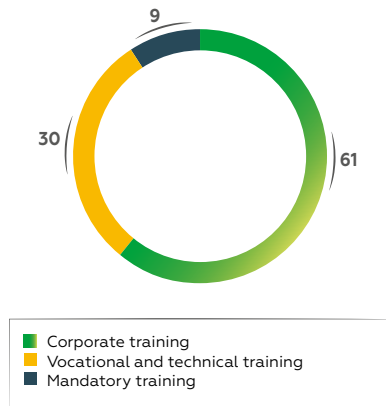
As part of the implementation of the Zarubezhneft JSC development strategy, the following became the key areas of personnel training and development in the reporting year:

- implementation of individual training programs aimed at improving the professional level as per the current and strategic objectives, varied legislation requirements;
- joint implementation of the learning process with the leading universities of the Russian Federation and foreign universities for training specialists in areas highly-demanded in the Company;
- implementation of the corporate program of training and development of high-potential employees, aimed at improving their knowledge in the field of developing the managerial potential;
- implementation of the Lean Six Sigma corporate training program for production system and lean manufacturing;
- implementation of a corporate English language training program;
- implementation of corporate training and development programs for key technical specialists of the Group.

For the planning and implementation of corporate training, a single menu of corporate programs for top managers, middle managers and specialists, employee pool and young specialists has been formed and is being applied. It includes programs of strategic management, managerial, technical, remote teaching and English language learning.

The priority direction of the employee training system is the development of key vocational and technical

Training structure in 2018, %



competences in the field of geology, development, drilling, oil and gas production and project management.

Vocational and technical training is conducted under the internal Oil Engineering School. Both external and internal lecturers of the Zarubezhneft JSC Group of Companies were involved within the Oil Engineering School.

In 2018, the Oil Engineering School successfully trained 196 people. These included employees of the Corporate Center, subsidiaries and JV "Vietsovetro"; the corporate knowledge base is permanently being updated with new materials from recently-held courses.

Training on project competencies development is conducted as part of the internal Project Management School under the International Business School of the Gubkin Oil and Gas Russian State University on the educational program of further vocational education "Master of Business Administration (MBA)" "Oil and Gas Business Management. Project Management".

Within the Project Management School, a training program has been developed jointly with the university taking into



The following training disciplines are contemplated in the Company:

- Corporate training under managerial and professional training programs as per the priority tasks and objectives intended to develop the employees' corporate, managerial and professional competencies;
- Professional and technical training intended to develop knowledge, expertise and skills required to fulfill job duties;
- Mandatory training conducted as per requirements of the state authorities and legislation of the Russian Federation to be confirmed by respective documents.

account the current and future tasks of the Company's business, including the requirements of strategic projects. In 2017-2018, eighteen people were trained under the Project Management School, including employees of the Corporate Center and the subsidiaries. Both visiting and resident lecturers were engaged in implementing the training program. After successfully defending their project theses, the students were accorded MBA state diplomas.

Zarubezhneft JSC is particularly focusing on training talented and purpose-driven specialists equipped with high professional and managerial



competencies that they will use to develop and expand new and current projects of the Company. The winners of the Nestro Lead Competition, the first open competition for the employees of Zarubezhneft JSC Group of Companies, which was the start of a common corporate personnel development program, were sent for training on a comprehensive program called “Modern Leader in the International Environment” under the International Business School of the Gubkin Oil and Gas Russian State University and the Moscow School of Management SKOLKOVO. The winners’ development agenda also includes an international internship.

The goal of the training and development programs for the Nestro Lead winners and finalists is to form an efficient and solid team to handle foreign assets taking into account the Company’s strategic interests, to assess and develop each team member’s personal potential, as well as to improve communication skills in the international environment.

As part of the training program for the competition finalists, unique developmental trainings based on the Efficient Leader Program have been developed under the Leadership and Management Capacity Development School.

The winners and finalists of the competition are also required to take remote courses on improving their personal effectiveness in the WebTutor Training Portal and vocational training at various advanced training centers in Russia.

The company is taking great strides to keep pace with the times, and has already begun applying modern automated HR-technologies. Personnel appraisal, training and development tools have been automated and integrated into a unified system and on a single logic using the WebTutor software. Implementation of the system has resulted in a significant reduction of labor costs and less time being required for training, appraisal and result evaluation, while distance courses have upped the share of trained employees

within the Company. In the reporting year, this system was integrated into almost all of the Company’s subsidiaries, ensuring implementation of the appraisal procedures in the online mode and organizing remote training. An educational portal covering all types of training implemented within the Company was developed to facilitate the employees’ professional and personal development. The online submission of applications for training has been introduced to enhance the operational planning of staff training, a move that has resulted in lower costs of labor for the formation and analysis of the proposals on the organization of training activities submitted by the employees. In 2019, it is planned to further develop the WebTutor automated personnel management system for the implementation of a new module – Talent Management and Career Development.